

# Study of the Music Market of Ukraine and Its Prospects in the International Economy

Report on the results of the study

soundbuzz

Supported by

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Research team:

Dartsya Tarkovska

Yuliia Melnyk

Ruzana Yemelianova

Sergiy Cane

Inna Lytovka

Anna Otnoshenko

Marianna Tanska

Volodymyr Vorobei

Marta Kobrynovych

Olena Kovalevska (editor)

Alina Kuchma (English translation)

Dmytro Yarovi, Kateryna Yarova (design)

Oleksandr Popenko, Yurii Hriaznov, Alex Charey (photography)

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A photograph of a desk setup with a blue overlay. In the background, a laptop is open. In the foreground, there is a white cup of coffee on a saucer, a spiral-bound notebook, and several sheets of paper with faint diagrams or text. The text 'Research Methodology' is overlaid in white.

# Research Methodology

**Purpose.** Studying and recording the current state of the Ukrainian music industry with a detailed mapping; analyzing its environment including the influence of micro- and macro-economical factors; making an analytical description of the main stakeholders within the value chain of the music product; describing the export potential of the music market of Ukraine.

**Objective.** Developing a methodology for the initial study of the market of popular music; collecting and processing data obtained in field and desk research; compiling a report and providing recommendations for certain areas of the music market of Ukraine.

**Geography.** Kyiv, Lviv, Odesa, Dnipro, Kharkiv.

**Study period:** June-September 2020.

**Collection and analysis of the data from field research:** July-August 2020.

**Collection and analysis of the data from desk research:** January 2018 – June 2020.

**Research components:**

1. The preparatory stage of the research included the study of available data on the music market of Ukraine and similar European studies. The main hypotheses, methods, limitations, and existing data sources were identified and expected results were outlined. The developed research methodology was verified by music market experts.

2. The desk research included collection and analysis of the following data:

- number of business entities and the amount of taxes paid by them, data for 2017-2019 including dynamics (according to the Classifier of economic activities) provided by the State Tax Service and the State Statistics Service of Ukraine:

2010 Classifier

- 90.01 Theatrical and concert activities
- 90.02 Activities in support of theatrical and concert events
- 90.03 Individual artistic activity
- 90.04 Concert venues and theater auditoriums
- 93.29 Organizing other types of recreation and entertainment
- 59.20 Publication of sound recordings

2005 Classifier

- 92.31.1 Theatre and other artistic activities
- 92.34.0 Other entertainment activities



- 92.32.0 Operating concert venues and theater auditoriums
- 22.14.0 Publication of sound recordings

- data of the Ministry of Education and Science of Ukraine on higher education institutions and the number of state-funded and contract seats in each of the areas (2017-2019 dynamics).

Training in the following specialties was considered:

- 028 — Management of Socio-Cultural Activities,
- 021 — Audiovisual Arts and Production,
- 025 — Music Art

- data of the Ministry of Development of Economy, Trade and Agriculture of Ukraine on the number of registered intellectual property objects on the music market;

- reports of the National Council of Ukraine on Television and Radio Broadcasting on the results of language quotas monitoring;

- data of the Ukrainian Cultural Foundation on grants received in 2018-2020 and related to the music market;

- results of the Central and Eastern European Music Industry Report 2020 for comparison with the survey of Ukrainian music market representatives;

- general information on the work of the music market covered in open interviews with experts, analytical materials, profile resources, etc.

3. The field study included the collection of primary information about the state of the music market in Ukraine:

- online survey of songwriters and performers; 365 responses were collected and processed during July-August 2020;

- online survey of the music market ecosystem participants; 188 responses were collected and processed during July-August 2020;

- focus groups with music market participants; 4 focus groups were held in areas such as Live Music Industry, Music Management, Export Potential, Music Production during July-August;

- in-depth interviews to validate previously obtained results from questionnaires and focus groups; a total of 25 interviews were conducted.

4. Processing and systematization of the data obtained, analysis of information and development of research results report.

5. Development of recommendations for specific research areas.

## Research Limitations

**Time.** Due to the peculiarities of project realization under the support of the Ukrainian Cultural Foundation, this study's realization has a limited time frame of June-October 2020.

**Geographical.** The study focuses on five Ukrainian cities. All the data obtained from the selected cities are representative. Their cumulative result fully confirmed all the assumptions regarding the general state of the music industry in Ukraine. A separate study of the music markets of each region or city was not the purpose of this study.

**Organizational.** Due to the global COVID-19 pandemic and quarantine restrictions imposed throughout Ukraine, all interaction with study participants was held online.

**Statistical.** Lack of statistical information.

- Ukrainian ticket operators refused to provide net statistics for the analysis of the live music market. Hence, it was impossible to study the actual and potential capacity of the concert market.

- As of 2020, there is no single statistical source on the sales of Ukrainian music online and on physical media. This information is distributed between labels, producers, distributors, and independent artists.

- The State Statistics Service of Ukraine noted that it does not provide data on the number of registered legal entities operating under the 2005 Classifier. The information it provided included only the 2010 Classifier. This made it difficult to establish the actual number of people working according to the selected “artistic” classes. Meanwhile, the State Tax Service of Ukraine provided data on tax payments by legal entities operating under the “artistic” 2005 and 2010 Classifiers.

- It is impossible to measure the full size of the royalty market due to the lack of complete and transparent reporting by all organizations of collective management of copyright and related rights. The reform in this area has not been completed yet, so organizations publish annual financial statements only based on existing accreditations.

- Music-related activities cannot be separated from the general list of artistic classes. This leads to statistical errors in the analysis of obtained data.

- All information provided in the study relies on the analysis of a large amount of data from open sources, statistical data of government agencies, questionnaires, focus groups, in-depth interviews, case studies and expert vision of the music industry development in Ukraine, which was expressed by opinion leaders at the round table meeting.

A photograph of a person playing an acoustic guitar, overlaid with a teal gradient. The person's hands are visible on the guitar strings and fretboard. The word "Introduction" is written in white, bold, sans-serif font across the upper portion of the image.

# Introduction

The Ukrainian Music Market Research is the first in a series of planned studies in the field of popular music. It relies on a systemic approach assuming that such studies should be conducted regularly over a long period of time, as well as the principle of objectivity (independence from subjective assessments and conclusions of researchers and respondents).

Since its inception, the Ukrainian music market has not had a single source revealing the market structure and key stakeholders. The impact of macro- and micro-environment, force majeure circumstances (change of the country's political course, military actions, pandemic, etc.), which can radically change market development direction, have not been documented. The value chain of a musical work and the role of stakeholders at its formation stages have not been considered. This study filled these and other gaps.

### **The Purpose of the Study**

The main purpose of the study was to study and record the current state of the music market with detailed mapping, to analyze the value chain components and review the export potential of the music market of Ukraine.

The chosen type of research is called baseline analysis. It captures market peculiarities, studies its problems, identifies prospects, and provides further recommendations. The research can also be used as an advocacy tool to work with governmental institutions.

### **For Whom Is the Study?**

- For all members of the professional music community
- For representatives of state institutions
- For non-governmental organizations and educational initiatives
- For the foreign music community potentially interested in the Ukrainian market for cooperation

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**Refused to cooperate:**

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5. Poriadchenko Oleksandr (Kontramarka.ua), Kyiv
6. Sliusar Liliia (Dzidzio), Kyiv
7. Chin Dmytro (Concert.ua), Kyiv

**No response to the cooperation offer:**

1. Kolesnikova Olha (O.Torvald), Kyiv
2. Maksymenko Maksym (Internet-bilet), Kharkiv
3. Media and ticket operator Katacult, Kyiv
4. NK Management, Kyiv
5. Iryna Fedyshyn Management, Lviv
6. Antytila (Антитіла) Management, Kyiv
7. Serhii Babkin Management, Kharkiv
8. Oparin Andrii (Kvartal Concert/Квартал Концерт), Kyiv
9. Fohilieva Kateryna (kasa.in.ua), Kyiv
10. Kramer Alex (Louder Hub), Odesa
11. UMPG representatives
12. Lavina Music representatives

I.

# Ukraine's Music Industry Ecosystem

A vintage-style microphone with a teal overlay, positioned on the right side of the page. The microphone has a classic grille design with horizontal slats and a small circular logo in the center. The background is a blurred teal color.

## Value Chain in the Music Industry

A value chain is a set of processes that add value to a music product along its way from creation to consumption. Before a music product finds its listener, it has to go through several development stages – creation, production, and distribution<sup>1</sup>. Marketing helps bring the product to market. The analysis of each component of the value chain lies at the base of the study of the music industry of Ukraine.

The value chain doesn't reflect the DIY-approach, when the author of a music product can independently perform the function of each link. Also, deliberately excluded are other market players who undoubtedly have an impact on shaping the value of a music product. A detailed mapping was developed to display all participants of the Ukrainian music industry (Fig. 1.2).

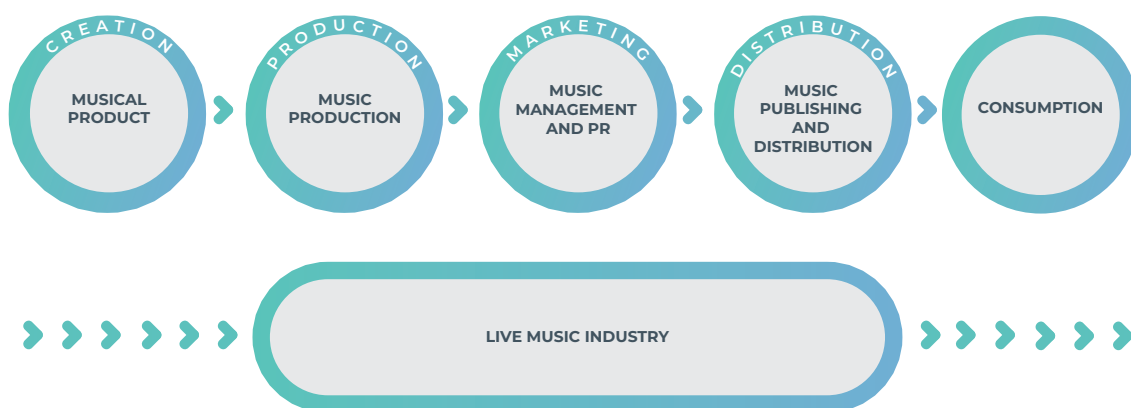
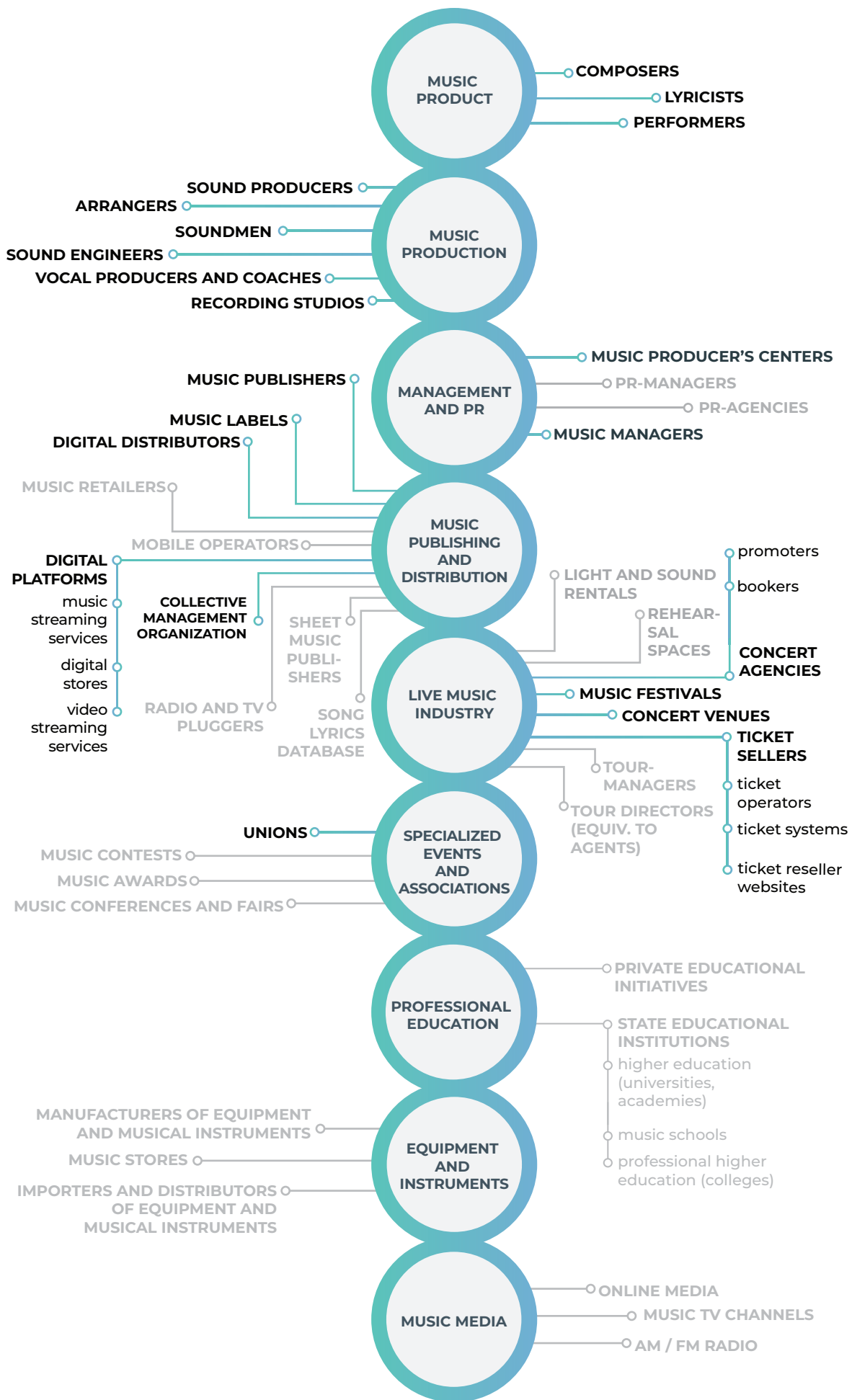


Fig 1.1 Value chain in music industry

<sup>1</sup>Statistics Canada (2011). Conceptual Framework for Culture Statistics, p.26: <https://www150.statcan.gc.ca/n1/en/pub/87-542-x/87-542-x2011001-eng.pdf?st=9MiX8sDG>

## Music Industry Mapping

Music industry mapping is a visual representation of the industry's key areas that includes the definition of its stakeholders. The mapping doesn't reflect the nature of connections between stakeholders and individual areas. The mapping structure has been validated with participants of the focus groups and during in-depth interviews according to the specialization of the invited experts.



■ stakeholders whose activities are studied. ■ stakeholders whose activities are not studied.

Fig 1.2 Music industry mapping



The mapping doesn't include the term artist. In this study, this term will be used to denote an artistic unit, such as a band or a solo performer whose activities are aimed at the end customer. During mapping, certain differences between music industries of Ukraine and other countries were recorded.

Key characteristics are listed below:

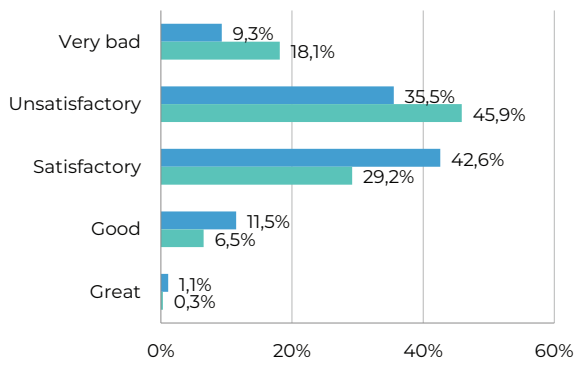
1. No printed music media;
2. No A&R managers – experts who professionally seek out new talent for further collaboration. In Ukraine, A&R functions are divided between other industry representatives;
3. No music agents – intermediaries between promoters and artists who define an artist's tour schedule and coordinate shows and put together contracts. In Ukraine, functions of a music agent are divided between other industry representatives;
4. No music publicists – experts who work with the media on covering an artist's activities. Their work is done by PR-managers;
5. No single Collective Management Organization for Copyright and Related Rights (CMO). As of July 30th, 17 accredited organizations operate in this area;
6. No local streaming services. Ukrainian audiences use international services only;
7. Wrongful definitions of English terms. For instance, a music producer is often associated not with sound production, but with music management;
8. Production companies. By name, music producer's companies are associated with the international equivalent of music production companies (organizations specializing in creating music), however, their functionality is similar to those of artist management companies (organizations that manage different aspects of an artist's career). In Ukraine, production companies predominantly work with mainstream genres of music.
9. The English language doesn't have an exact equivalent to the Ukrainian concept of a Soundman in music production. In Ukraine, in most cases one person performs several tasks related to sound production. Which is why, they tend to be generally called Soundman with no breakdown by function, which is common in English (Studio engineer, Recording engineer, Mixing engineer, Mastering engineer, Live sound engineer, etc.).



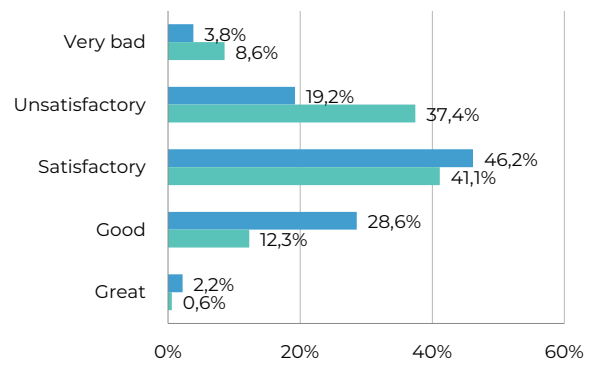
## Effectiveness Evaluation in Certain Areas of the Music Industry

As mentioned earlier, the music industry mapping doesn't reflect the connections between stakeholders. However, the survey conducted during the study offered artists and other representatives of the music industry to evaluate the effectiveness of certain areas of the music industry such as labels, Collective Management Organizations for Copyright and Related Rights (CMO), the live music industry, recording studios, music management, and industry-specific higher education.

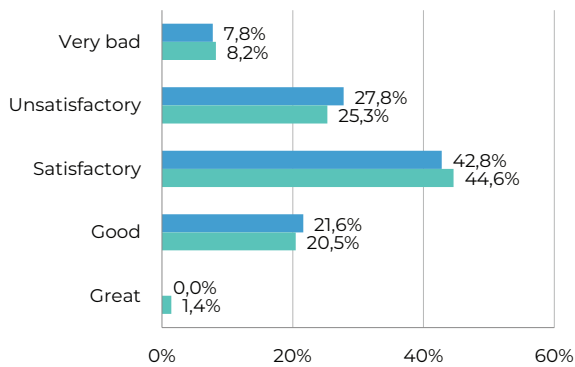
### Music labels



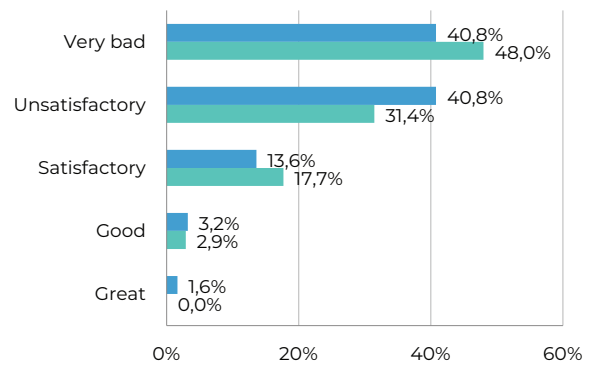
### Music management



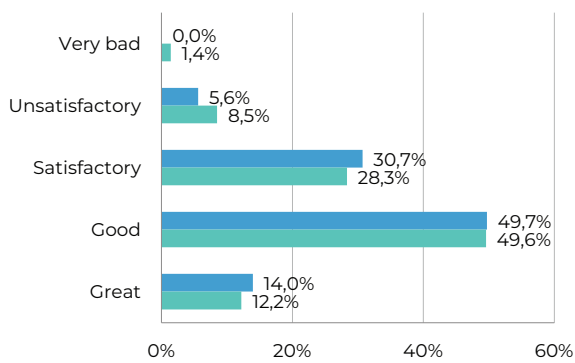
### Live music industry



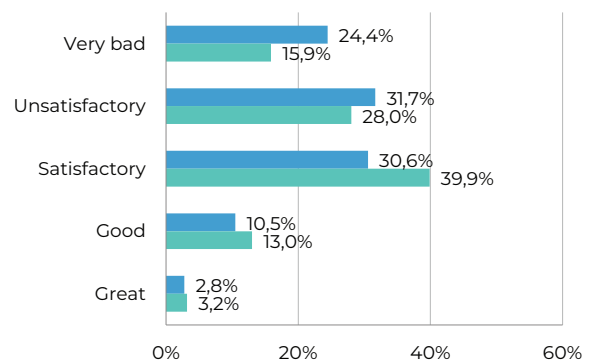
### CMO



### Music production (Studios)



### Higher Education



■ Music Industry Representatives      ■ Artists

Fig. 1.3 Effectiveness evaluation in certain areas of the music industry  
 Explanation: Very bad (useless), Unsatisfactory (almost useless, needs improvement), Satisfactory (basic needs covered), Good (decent professional level), Great (no complaints)

## Music Industry Environment

The music industry cannot exist outside the country's economy. Its sustainable development is driven by constant interaction with hundreds of stakeholders that work in related fields or are located outside of them. Being constantly affected by internal (micro-environmental factors) and external (macro-environmental factors) stimuli, the development of the music industry is either in full swing and growing, or direly threatened.

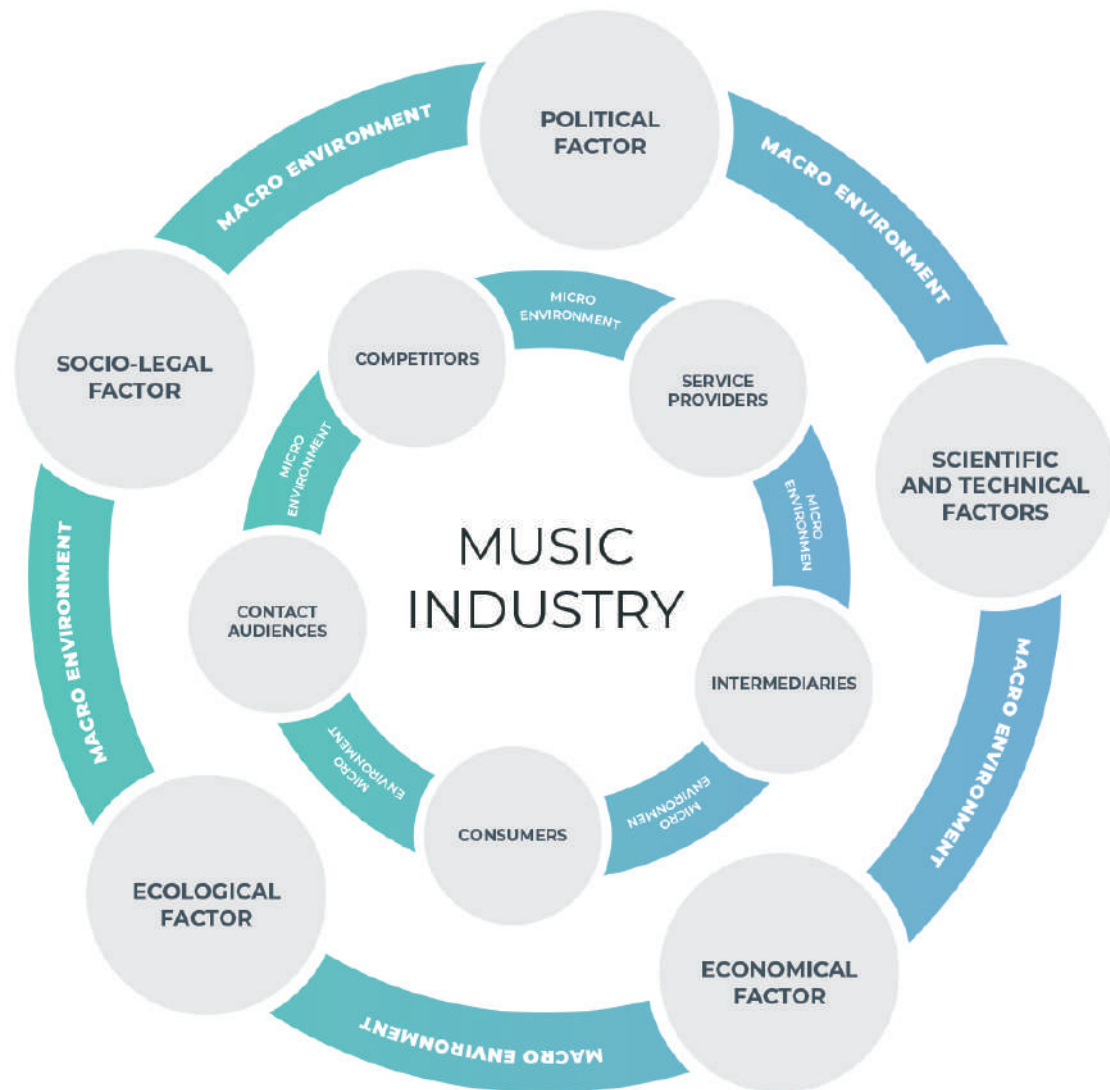


Fig. 1.4 Music industry environment



## Micro-Environmental Factors

Micro-environmental factors affect the process of business administration and define its ability to develop and maintain partnerships with target markets.

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<b>Service providers</b>	Security firms. Law firms and patent offices. Insurance companies. Physical media manufacturers (CD, cassettes, vinyl, etc.). Video production studios. Event agencies. Restaurants and catering companies. Transportation companies. Hotels. Cleaning and technical maintenance companies. Others.
<b>Intermediaries</b>	Logistics companies. Advertising and digital agencies. Marketing research firms. Lending and financial institutions (banks, companies assisting in financing and insurance). Others.
<b>Competitors</b>	Companies that provide similar services and operate within the music market. Companies that operate outside the music market and provide other entertainment services (theaters, cinemas, etc).
<b>Contact audiences</b>	Government agencies and institutions. Investors, sponsors, patrons. Commercial brands. Crowdfunding platforms. General media. NGOs.
<b>Consumers</b>	Individuals and legal bodies. Government bodies.

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## Macro-Environmental Factors

Macro-environmental factors are constantly changing, creating not only business opportunities, but also real threats. These are powers that cannot be controlled by a business, but require a proper response from its part. This study briefly shows the impact of certain macro factors on the functioning of the music industry.

## Political Factors

### European Integration

In February 2019, Ukraine's strategic course towards European and Euro-Atlantic Integration was secured in the country's Constitution<sup>2</sup>. The agreement between Ukraine and the European Union prescribes the ways of cultural cooperation<sup>3</sup>, which led to the concept of "creative industries" being consolidated at the legislative level<sup>4</sup>.

EU-programs with activities aimed at the development of creative industries are actively working in Ukraine. The most important are Creative Europe and House of Europe. Cultural organizations such as the British Council, Goethe-Institut, the Polish Institute, Institut français d'Ukraine and many more facilitate international cultural relations.

Since June 2017, visa-free travel between Ukraine and the EU has allowed the members of the music community to freely cross international borders, tour Europe more extensively, as well as participate in international festivals, showcases, and conferences.

The same year, the Government of Ukraine founded the

Ukrainian Institute which operates under the authority of the Ministry of Foreign Affairs. Its activities are defined according to the country's foreign-policy priorities and the regional strategies of the Ministry of Foreign Affairs of Ukraine. The role of this institution in the music industry will be discussed in the chapter about music export potential.

### Russian-Ukrainian Military and Political Conflict

*Assessing the overall relations between Kyiv and Moscow, it should be noted that currently there's no considerable reason to talk about a decline in the Russian-Ukrainian conflict. Russia continues its military, political, economic, energy, and information war against Ukraine. Low-intensity military operations continue in Donbas, the efforts of international diplomats to stop the war in Eastern Ukraine remain fruitless. At the same time, the situation around the annexed Crimea remains unchanged and turns into a long-term problem left for last*

*Razumkov Centre<sup>5</sup>*

<sup>2</sup> The Law "On Amendments to the Constitution of Ukraine (Regarding the Strategic Course of the State for Acquiring Full-Fledged Membership of Ukraine in the European Union and in the North Atlantic Treaty Organization)":

<sup>3</sup> Ukraine-European Union Association Agreement, Title V, Article 24: [https://zakon.rada.gov.ua/laws/show/984\\_011#Text](https://zakon.rada.gov.ua/laws/show/984_011#Text)

<sup>4</sup> The Law of Ukraine "On Amendments to the Law of Ukraine 'On Culture' Concerning the Definition of the Concept of "Creative Industries": <https://zakon.rada.gov.ua/laws/show/2458-19#Text>

<sup>5</sup> Razumkov Centre (2019). "Ukraine 2019-2020: Wide Opportunities, Contradictory Results", p.11: [http://razumkov.org.ua/uploads/other/2020-PIDSUMKI-UKR\\_ENG.pdf](http://razumkov.org.ua/uploads/other/2020-PIDSUMKI-UKR_ENG.pdf)

Given the situation, in 2017 Ukraine introduced amendments to the Law On Touring Events in Ukraine which states that performances of Russian artists in Ukraine must be agreed with the Security Service of Ukraine<sup>6</sup>.

On top of this, as required by the Law On Amendments to the Laws of Ukraine Regarding Protection of the Television and Radio Broadcasting of Ukraine<sup>7</sup> the Ministry of Culture of Ukraine compiled a list of people who pose a threat to national security. The list is being updated based on appeals received from the National Security and Defense Council of Ukraine, the Security Service of Ukraine, and the National Council of Television and Radio Broadcasting of Ukraine<sup>8</sup>.

The situation regarding the performances of Ukrainian artists in the Russian Federation remains uncertain until now. The National Council of Television and Radio Broadcasting of Ukraine insists on amending and clarifying the legislation regarding protection of the information space.

*...Legislators could consider and apply the world's practice of influencing domestic artists who perform in a state recognized as an aggressor. This may include penalties or criminal sanctions. Television and radio broadcast organizations could be required to limit air time of said artists for a certain period of time. In this case, the state would have real leverage over broadcasters...<sup>9</sup>*

In March 2018, a Draft Law On Specifics of Tours and Concerts by People Who Participate in Entertainment Events in the Territory of the Aggressor State and in the Temporarily Occupied Territories of Ukraine was developed, but not reviewed in the first reading<sup>10</sup>.

Currently, there's a checkpoint regime between mainland Ukraine and Crimea<sup>11</sup>. Foreign citizens who enter Crimea from Russia are considered to have violated the rules of crossing the state border. Their information is entered into a database of people

<sup>6</sup> The Law of Ukraine "On Amendments to the Law of Ukraine 'On Touring Events in Ukraine'" regarding organization and carrying of touring events that includes citizens of the aggressor nation: <https://zakon.rada.gov.ua/laws/show/2165-19#Text>

<sup>7</sup> The Law of Ukraine On Amending Certain Laws of Ukraine regarding Television and Radio Broadcasting of Ukraine: <https://zakon.rada.gov.ua/laws/show/159-19#Text>

<sup>8</sup> Ministry of Culture and Information Policy. The list of people who pose a threat to national security: <https://mkip.gov.ua/>

<sup>9</sup> Statement by the National Council of Television and Radio Broadcasting of Ukraine: <https://www.nrada.gov.ua/zayava-natsionalnoyi-rady-regulyator-napolyagaye-na-neobhidnosti-vnesennya-z-min-utochnen-deyakyh-zakonodavchyh-norm-u-sferi-zahystu-natsionalnogo-teleradioinformatsijnogo-prostoru/>

<sup>10</sup> Draft Law. Registration number 8085: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=63561](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=63561)

<sup>11</sup> International organizations declared the occupation and annexation of Crimea unlawful and condemned Russia's actions. Western states imposed economic sanctions. February 2014 was officially recognized as the beginning of the occupation of Crimea. Resolution of the Verkhovna Rada of Ukraine On the Address of the Verkhovna Rada of Ukraine to the Parliaments of Foreign States: <https://zakon.rada.gov.ua/laws/show/571-20#Text>.

who under law are further on banned from entering Ukraine<sup>12</sup>.

Ukrainian artists with a clear civic position perform inside the Joint Forces Operation area in Donbas, in military bases, hospitals, and liberated cities. Vilni UA (Вільні UA), a charitable foundation started by Taras Topolya of the band Antytila provides financial and material assistance to the Armed Forces of Ukraine<sup>13</sup>. The Music Battalion also stands against the hostile occupation of Ukraine's information and cultural space. Professional musicians and poets of this community not only support the army, but also bring Ukrainian culture into complex intercultural regions like Prydnava (South-Western Odesa region), Zakarpattia and Donbas<sup>14</sup>.

In Ukraine, the access to Russian social networks and services like Mail.ru, V Kontakte.ru, Odnoklassniki.ru etc. are prohibited at the state level. One of the reasons is the spread of fake information and illegal content by these platforms<sup>15</sup>.

<sup>12</sup> Law of Ukraine On Ensuring the Rights and Freedoms of Citizens and the Legal Status in the Temporarily Occupied Territories of Ukraine": <https://zakon.rada.gov.ua/laws/show/1207-18#Text> <https://zakon.rada.gov.ua/laws/show/1207-18?find=1&text=%D0%9A%D1%80%D0%B8%D0%BC#top>  
State Migration Service of Ukraine. Obtaining a special permit to enter Crimea: <https://dmsu.gov.ua/poslugi/dokumentuvannya-inozemcziv/otrimannya-speczialnogo-dozvolu-dlya-vjzdu-d-o-krimu.htm>

<sup>13</sup> Vilni UA Charitable Foundation <https://wilni.org/>

<sup>14</sup> The Creative patriotic Union Music Battalion : <https://muzbat.org/>

<sup>15</sup> Decree of the President of Ukraine №184/2020 <https://www.president.gov.ua/documents/1842020-33629>

## Economic Factors

The world economic crisis, the Coronavirus pandemic, restrictive measures, and closed borders – this is the situation Ukraine's music industry has found itself in in 2020. Due to the quarantine, a ban on concerts and festivals and cancellation of all public events, the live music industry experiences the biggest losses. An adaptive quarantine and establishing zones depending on levels epidemic danger<sup>16</sup> didn't bring much improvement. The Coronavirus has caused a domino effect in the music industry, the end of which is not in sight. The effect COVID-19 has had on Ukraine's live music industry will be addressed in the Live Music Industry chapter.

Trying to draw the state's attention to the crisis the music industry is going through, the professional community decided to sound the alarm: through the spectacular Stop Cultural Quarantine campaign<sup>17</sup>, by submitting an electronic petition to the President's Administration<sup>18</sup>, while the All-Ukrainian Association of Music Events (VAMP) addressed the Prime Minister of Ukraine with an open letter<sup>19</sup>. a meeting to support live industry took place a meeting to support live industry took place<sup>20</sup>.

However, all the problematic issues would be addressed more effectively by a dedicated music industry subcommittee. Said subcommittee should be formed within the Committee of Verkhovna Rada of Ukraine on Humanitarian and Information Policy.

*I believe that after the quarantine is over, whenever that is, our industry will need at least two years to recover. This time will allow us to go back to the level we were at in December 2019. We don't entertain illusions that everything will be as good as it used to be. After what happened, history will be divided into before and after.*

*Serhii Maletsky of H2D concert agency.<sup>21</sup>*

Even though the state is trying to take anti-crisis measures to support the creative industries, it's important to keep in mind that the terms creative industries and music industry aren't identical or interchangeable in all areas. Which is why creating a regulatory framework remains a burning issue for the music industry. In 2019, the Cabinet of Ministers of Ukraine approved a list of economic activities that are part of the creative industries<sup>22</sup>. However, the

<sup>16</sup> Government portal "Starting August 1st, new quarantine rules take effect":

<https://www.kmu.gov.ua/news/z-1-serpnya-pochinayut-diyati-novi-pravila-adaptivnogo-karantinu>

<sup>17</sup> The All-Ukrainian campaign from representatives of creative industries:

<https://www.youtube.com/watch?v=9hfpAsh4w3s&t=11s>

<sup>18</sup> Petition On the (urgent) introduction of a package of legislative changes aimed at economic stimulation and resuming of activities in the music industry by the President of Ukraine:

<https://petition.president.gov.ua/petition/89664>

<sup>19</sup> VAMP Facebook page. Letter to the Prime Minister of Ukraine:

<https://www.facebook.com/associationoforgmassmusicerevents/photos/a.802908876772191/973636129699464/>

<sup>20</sup> Facebook-сторінка УМП <https://www.facebook.com/events/639607743329591/>

<sup>21</sup> Apostrophe.ua (2020). The Struggle to Survive: How the Music Business in Ukraine Survives the Quarantine quarantine:

<https://apostrophe.ua/article/lime/events/2020-04-24/eto-borba-za-vyijivanie-kak-muzyikalnyiy-biznes-v-ukra-aine-perejivaet-karantin/32396?fbclid=IwAR2ODVeFGL6VakMtUeoCTizt38UFFN-FVDe0sGSNPwIHNRTolPcMaoW7fAE>

<sup>22</sup> Cabinet of Minister of Ukraine. An order. the list of economic activities that belong to creative industries: <https://zakon.rada.gov.ua/laws/show/265-2019-%D1%80#Text>

approved list doesn't completely cover current changes in the music industry labor market, i.e. it needs to be completed and reviewed.

What the music industry also needs is the VAT reduction from 20% to 7 %, which according to experts should help legalize the part of the creative economy that now lies within the informal sector.

*Surely the budget may experience losses at the first stages, and we're considering this scenario. But in the long run, this will help the creative economy grow and increase revenues, as transactions will be conducted legally*

*explains deputy Yevheniia Kravchuk<sup>23</sup>.*

### Ukrainian Cultural Foundation and the Music Industry

To help creative industries grow, Verkhovna Rada adopted a law on starting the Ukrainian Cultural Foundation (UCF)<sup>24</sup>. By law, the Foundation's work is directed and coordinated by the Ministry of Culture and Information Policy of Ukraine. The foundation is a state-funded institution that implements the state policy in arts and culture by allocating funding on a competitive basis.

In 2018-2020, over 25 projects from the popular music sector were funded, totaling more than

30 million hryvnias<sup>25</sup>. Among the projects to receive financial funding from the Ukrainian Cultural Foundation were festivals such as Respublica, Zaxidfest, AirGogolFest, Taras Bulba, Bandershtat, and Bandura Music Days, band performances at Hromadske radio (Tut i Zaraz show), music management program Management 24/7, the EVE8 project (live-streams of electronic music performances from historic sights across Ukraine) and many more. The complete list of funded projects can be found on the UCF website<sup>26</sup>.

In the course of this study, a survey was conducted regarding the interest of the music industry in UCF's grant support. Results show that 67% of artists and 44% of industry representatives haven't worked with the Ukrainian Cultural Foundation, but would like to collaborate.

Lack of understanding of what exactly can be financed, a complicated application process, the unwillingness to work with a state institution, and no need for funding were named as main reasons for the artists and other industry representatives not to apply for a UCF grant.

Adopted in July 2020, the Law #3377 introduced grants of

<sup>23</sup> Gordon.ua.com. Deputy Kravchuk on the culture tax: <https://gordonua.com/ukr/news/politics/-nardep-kravchuk-pro-kulturne-zbori-tse-ne-dodatkovij-podatok-a-z-menshennja-pdv-shchob-stimuljuvati-kreativnu-industriju-i-vivesti-jiji-z-tini-1499796.htm>

<sup>24</sup> The Law of Ukraine On the Ukrainian Cultural Foundation: <https://zakon.rada.gov.ua/laws/show/1976-19#Text>

<sup>25</sup> The data was obtained from projects published on the website of the Ukrainian Cultural Foundation. The list includes not only the audio sector, but also other related sectors that affect the development of the music industry (dedicated educational programs, mobile applications, etc.)

<sup>26</sup> Ukrainian Cultural Foundation Project Archive: <https://ucf.in.ua/archive>



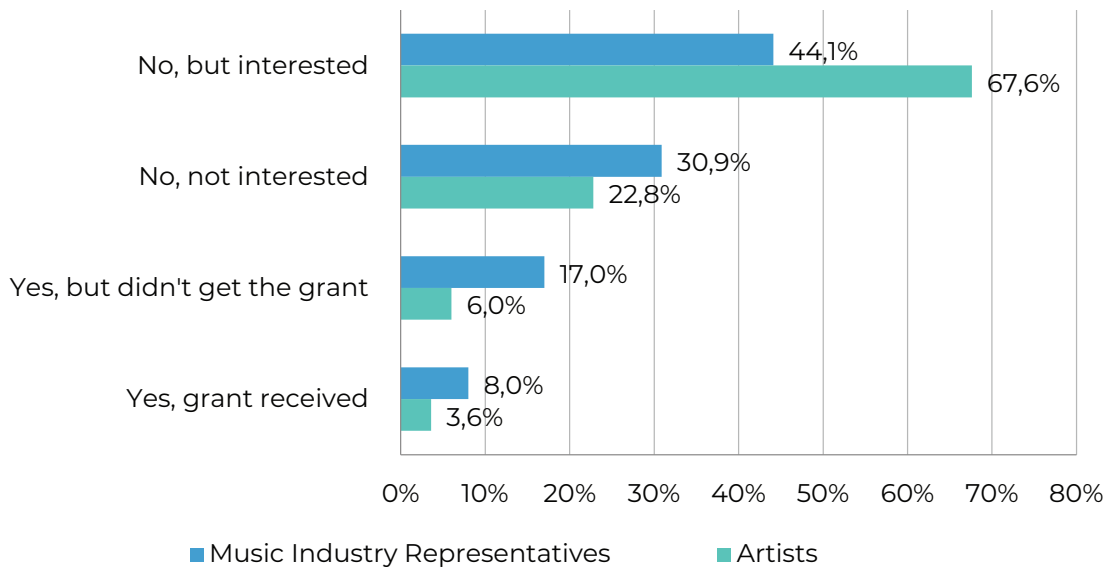


Fig 1.5 Responses to the question “Do you have any experience of UCF support?”

institutional support in the fields of culture and creative industries<sup>27</sup>. One billion hryvnias was allocated from the Covid-19 Response Fund to the Ministry of Culture and Information Policy, of which 590 million were used for institutional support grants through the Ukrainian Cultural Foundation<sup>28</sup>. In this regard, the competition program Culture In Time of Crisis: Institutional Support has been developed. Initially, representatives of the music industry have submitted the lowest number of applications, yet after quarantine restrictions were introduced, they were the ones in dire need of support<sup>29</sup>.

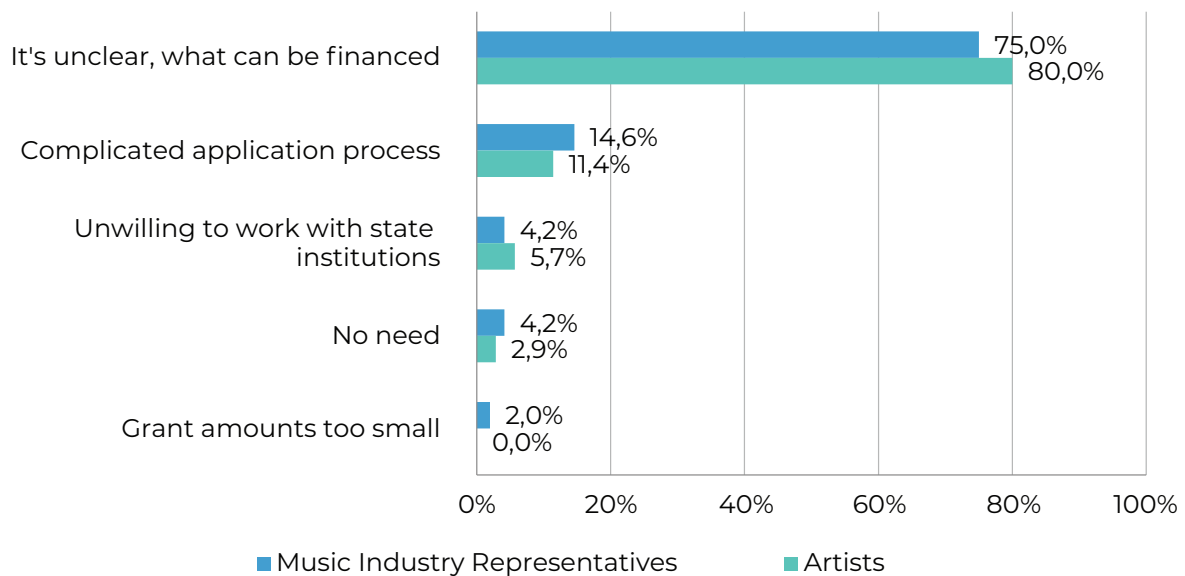


Fig. 1.6 Reasons of disinterest in UCF support

<sup>27</sup> The Law of Ukraine On Amendments to Certain Legislative Acts of Ukraine Regarding State Support in Culture, Creative Industries, Tourism, Small and Medium Business due to Restrictive Measures Related to the Spread of Coronavirus COVID-19: <https://zakon.rada.gov.ua/laws/show/692-IX#Text>

<sup>28</sup> Regulation On the Allocation of Funds for the Implementation of Certain Measures Aimed at Preventing the Occurrence and Spread, Localizing and Eliminating Outbreaks, Epidemics and Pandemics of the Acute Respiratory Disease COVID-19 Caused by Coronavirus SARS-CoV-2: <https://zakon.rada.gov.ua/laws/show/692-IX#Text>

<sup>29</sup> TSN.ua (2020). How can creative industries get help from the state during the quarantine. An interview with Yuliia Fediv: <https://tsn.ua/interview/yak-kreativnim-industriyam-otrimati-dopomogu-vid-derzhavi-pid-chas-karantynu-in-terv-yu-z-yuliyeyu-fediv-1604143.html>



## Scientific and Technical Factors

### Digitalization

In September 2019, the Ministry of Digital Transformation was established in Ukraine. The Ministry implements the state policy on digitalization, develops the broadband infrastructure, e-commerce and business, while cultivating an information society and the IT-industry in Ukraine<sup>30</sup>. The same year, the Ministry of Digital Transformation has conducted a survey on digital literacy of Ukraine's population<sup>31</sup>.

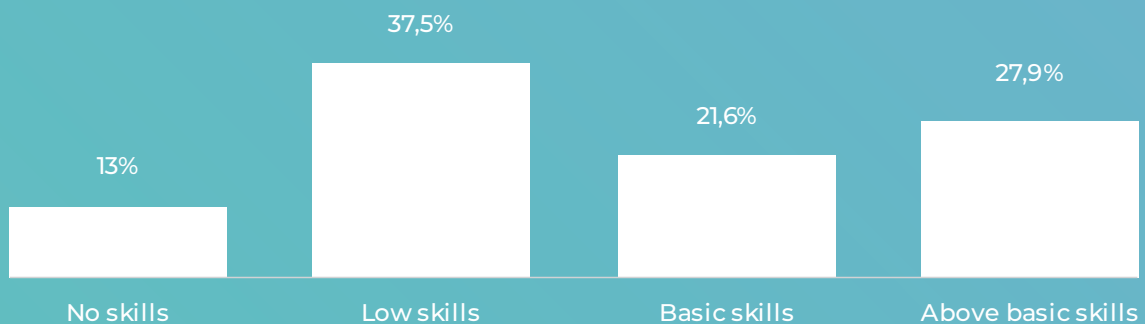


Fig 1.7 Level of digital skills of city residents

<sup>30</sup> Resolution of the Cabinet of Ministers of Ukraine. The issue of the Ministry of Digital Transformation: <https://zakon.rada.gov.ua/laws/show/856-2019-%D0%BF#Text>

<sup>31</sup> Ministry of Digital Transformation of Ukraine (2019). Digital literacy of the population of Ukraine: [https://osvita.diia.gov.ua/uploads/0/585-cifrova\\_gramotnist\\_naselenna\\_ukraini\\_2019\\_compressed.pdf](https://osvita.diia.gov.ua/uploads/0/585-cifrova_gramotnist_naselenna_ukraini_2019_compressed.pdf)

## Music and IT

The Ukrainian IT-industry actively uses music to innovate. Today, this field can boast projects both locally and internationally. The most noticeable of them are:

- GlobalLogic (Kyiv) has been working with Avid Technology for over 10 years, developing software for the Pro Tools digital audio workstation and Venue's digital mixing consoles<sup>32</sup>. World stars like Linkin Park, Maroon 5, Coldplay among others actively use them to record albums.

- Intellectsoft (Kyiv) developed an application that allows owners to interact with the fan community through music streaming, exclusive news, and gamification. The app's format has been developed for artists like Madonna and Red Hot Chili Peppers<sup>33</sup>.

- Pibox is a startup developed to remotely work on shared music compositions. The project received the 'Better Sound 2020: Services and Sound Start-ups' Award<sup>34</sup> from International Sound Awards. Universal Production Music and Epidemic Sound have already put Pibox to use.

## Music and Blockchain

Blockchain has long been used outside of the financial sector. By transactions validation, this system allows a better work transparency in a variety of subjects. In the music industry in particular, blockchain is widely used to pay royalty to music creators. Supported by Sony, Warner Music, Spotify та Pandora<sup>35</sup>, Open Music Initiative (OMI), is working on this particular task. In Ukraine, this technology is used by blockchain startup Younk that presents itself as a label influenced by the fan community<sup>36</sup>.

## Music and Artificial Intelligence

Artificial Intelligence (AI) is used in the music industry to create and mix music, search for up-and-coming artists all over the world, creating customized playlists for listeners, etc. The AIVA project, the streaming service Spotify, labels like the Warner Music Group (AI Sodatone) and Sony Music (AI Flow Machine) – these are just a few examples of the use of AI in music.

In Ukraine, an expert committee on AI development was formed within the Ministry of Digital Transformation. Security, education, and economy were named

<sup>32</sup> Avid and Globallogic: <https://www.globallogic.com/ua/key-projects/avid-and-globallogic/>

<sup>33</sup> Intellectsoft. Fan engagement platform: <https://www.intellectsoft.net/platforms/music>

<sup>34</sup> Better Sound Awards of the ISA2020:

<https://www.international-sound-awards.com/better-sound-awards-of-the-international-sound-awards-2020/>

<sup>35</sup> Open music initiative: <https://open-music.org/>

<sup>36</sup> Kyivpost (2019). Music label from Ukraine lets people find future hits:

<https://www.kyivpost.com/lifestyle/music-label-from-ukraine-lets-people-find-future-hits1.html?cn-reloaded=1>

as the highest priorities of its work<sup>37</sup>. Accordingly, all initiatives using artificial intelligence for the development of music projects in Ukraine can be implemented only with private investment.

### **Music, VR and AR**

Although belated, VR (virtual reality) and AR (augmented reality) projects have reached the Ukrainian music scene. In 2018, Monatik together with Coca-Cola created an interactive AR-video that could be watched by scanning a can with the drink<sup>38</sup>. In July 2020, Oleh Vynnyk offered his fans to watch his Online-VR 360 show in virtual reality.

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<sup>37</sup> Ministry and Committee of Digital Transformation of Ukraine (2020). The ministry has formed an expert committee on the development of artificial intelligence: <https://thedigital.gov.ua/news/mintsifra-sformuvala-ekspertnij-komitet-z-pitan-rozvitku-sferi-shtuchnogo-intelektu>

<sup>38</sup> Coca-Cola AR music video: <https://saatchi.com.ua/uk/work/coca-cola-ar-music-video>

## Ecological Factors

The Chernobyl disaster in 1986, deforestation of the Carpathian mountains, fires, uncontrolled landfills, polluted rivers, badly managed natural resources in Ukraine – all these and many more problems remain unsolved for years. Which is why environmental issues lie at the heart of numerous music projects and social activities of Ukrainian artists.

Each year, Ukraine joins Earth Hour, the world's largest initiative that supports planet preservation and sustainable use of its resources. During Earth Hours, the symbolic turning off the light should draw people's attention to environmental problems. Ukrainian artists like Sasha Koltsova (Kryhitka), Dmytro Shurov (Pianoboy), as well as the band Bahroma have supported this project from the first year of its existence in Ukraine<sup>39</sup>.

In 2018, Onuka together with the non-government initiative Zero Waste Ukraine started the Ecostrum eco project that raises awareness of waste sorting and recycling. All profits from the Youtube video was given to Zero Waste Ukraine, while anyone could make a donation to the waste sorting station<sup>40</sup>.

Chernobyl and the effect it had on people's lives are the central topic of Onuka's album Vidlik<sup>41</sup>. Music forces us to look at the past

from a new perspective and realize that the disaster in Chernobyl has no statute of limitations.

In July 2020 singer Ruslana Lyzhychko initiated the online social campaign aimed to save the Carpathian mountains<sup>42</sup>. The campaign called Karpaty. Mistse Syly (Carpathians. Place of Power) was supposed to draw attention to the value, problems, and prospects of the Carpathian woods. Ruslana's proactive position contributed to the adoption of the Law on Amending Several Legislative Acts of Ukraine Regarding Protection of Primary Forests In Accordance to the Framework Convention on Protection and Sustainable Development of the Carpathians<sup>43</sup>.

A rather uncommon event in Ukraine's music life in 2019 was the experimental music project Holos Vody (The Voice of Water) carried out by the ISD Group creative agency for the trademark Morshynska<sup>44</sup>. Unique music instruments brought to life by the waters of Carpathian waterfalls, mountain rivers and lakes were crafted specially for the project. Their sound laid the foundation for the song performed by The Maneken, Onuka, Dakhabrakha, and Katya Chilly. Part of the income from the project was donated to the World Wide Fund for Nature for the Carpathian ecosystem conservation program.

<sup>39</sup> Earth Hour: [https://wwf.ua/our\\_work/earth\\_hour/](https://wwf.ua/our_work/earth_hour/)

<sup>40</sup> Ecostrum Project: <https://strum.onuka.ua/uk>

<sup>41</sup> Onuka "Vidlik": <https://soundcloud.com/onukaofficial/sets/vidlik>

<sup>42</sup> Creativity.ua (2020). Ruslana Lyzhychko and Yurii Dyvysenko on the social campaign Karpaty. Mistse Syly: <https://creativity.ua/marketing-and-advertising/ruslana-lyzhychko-i-yurii-divisenko-pro-sotsialnu-kampaniiu-karpaty-mistse-syly/>

<sup>43</sup> The Law on Amending Several Legislative Acts of Ukraine Regarding Protection of Primary Forests: <https://zakon.rada.gov.ua/laws/show/2063-19#Text>

<sup>44</sup> Holos Vody Project: <https://voice.morshynska.ua/artists>

## Socio-Legal Factors

### State Agency of Ukraine for Arts and Arts Education

In May 2020, the resolution of the Cabinet of Ministers of Ukraine on the approval of the Regulation on the State Agency of Ukraine for Arts and Art Education took effect<sup>45</sup>. The activities of the Agency are coordinated by the Cabinet of Ministers of Ukraine through the Minister of Culture and Information Policy.

The list of tasks to be completed is quite long: from developing state grant programs and managing Presidential grants and scholarships to compiling a Unified register of touring events, organizing shows and art festivals, and protecting intellectual property rights. The Agency has ambitious plans regarding implementing the state policy in arts and specialized art education, which it plans to put into effect within its competencies.

### Language Quota

The Law on Ensuring the Functioning of the Ukrainian Language as the State Language stipulates that the only state language in Ukraine is the Ukrainian language<sup>46</sup>. In Ukraine, the language issue concerns not only communication but also national identity. Which is why one of the promotional tools for the Ukrainian language is the Law on Quotas. It regulates how much the state language is used by television and radio broadcasting companies<sup>47</sup>.

After the law was adopted, creating high quality Ukrainian music to shake up the broadcasting playlists became a burning issue. Regular monitoring of language quotas on radio and television shows increasing air time for songs in Ukrainian<sup>48</sup>.

Region	2016-2017	2017-2018	2018-2019	2020 (1st half of the year)
<b>Kyiv and Kyiv Oblast<sup>1</sup></b>	38%	44%	49%	40%
<b>Lviv Oblast</b>	49%	52%	60%	65%
<b>Kharkiv Oblast</b>	31%	36%	48%	52%
<b>Odesa Oblast</b>	39%	44%	47%	45%
<b>Dnipropetrovsk Oblast</b>	36%	41%	40%	40%
Language Quotas	<b>25%</b>	<b>30%</b>	<b>35%</b>	<b>35%</b>

Fig. 1.8 Number of songs in Ukrainian on the radio. Sampling by regions according to the studied cities

<sup>45</sup> Cabinet of Ministers of Ukraine. Resolution on some activity issues of central executive bodies in culture <https://zakon.rada.gov.ua/laws/show/434-2020-%D0%BF#Text>

<sup>46</sup> The Law on Ensuring the Functioning of the Ukrainian Language as the State Language: <https://zakon.rada.gov.ua/laws/show/2704-19#Text>

<sup>47</sup> The Law of Ukraine on Amending Certain Laws of Ukraine Regarding the Share of Music Works in Ukrainian in Radio and Television Programs: <https://zakon.rada.gov.ua/rada/show/1421-viii#Text>

<sup>48</sup> Quotas on radio and television: monitoring results:

[https://issuu.com/svetlanastepanenko4/docs/present\\_kvoty\\_radio\\_tv\\_20032019](https://issuu.com/svetlanastepanenko4/docs/present_kvoty_radio_tv_20032019)

[https://www.nrada.gov.ua/wp-content/uploads/2020/07/monitoryng-movnyh-kvot-radio-i-tb\\_1pivr-2020.pdf](https://www.nrada.gov.ua/wp-content/uploads/2020/07/monitoryng-movnyh-kvot-radio-i-tb_1pivr-2020.pdf)

*Introducing the quotas has jumpstarted the development of our music industry... On the other hand, many young artists switch to an alternative show business growing independently on the Internet, opposing the quotas. It's impossible to regulate... But this doesn't mean that quotas have failed.*

*Valerii Kharchyshyn, Director General of the Ukrainian Agency of Copyright and Related Rights NGO<sup>49</sup>.*

## Music Piracy

Worldwide, legal music consumption is integral to its monetization and proof of a sustainable development of the society. However, in Ukraine music piracy remains an unresolved issue.

Each year, at the request of the International Intellectual Property Alliance (IIPA) the Office of the United States Trade Representative issues the Special 301 report on the efficacy of intellectual property protection. It covers digital and physical markets that facilitate copyright infringement and trademark counterfeiting. As of 2020, Ukraine is on the 301 List that records markets for counterfeiting and piracy<sup>50</sup>.

The experts' main concern is the non-transparent CMO administration, use of unlicensed software, and the inability to combat copyright infringement on the Internet.

In its annual report on protection and enforcement of intellectual property rights in third countries, the European Commission has added Ukraine to the Priority 2 list<sup>51</sup>. This means that Ukrainians keep using illegal content.

The spread of Internet piracy is caused by weak legislation and an insufficient punishment for online infringement of online copyright and related rights.

Currently, the Ukrainian Anti-Piracy Association and the Cyber Police of Ukraine are tasked to be fighting digital piracy. In 2020, the GfK Ukraine study<sup>52</sup> recorded the following trend:

- 71% of Ukrainians download music from illegal file exchange websites;
- 29% of Ukrainians download music from torrent sites ;
- 13% of Ukrainians download music from paid resources ;
- 80% of Ukrainians use legal and illegal resources to listen to music.

<sup>49</sup>Hromadske.ua (2019). How Quotas Affected Ukrainian Music:

<https://hromadske.ua/posts/yak-vplivuli-kvoti-na-ukrayinsku-muziku>

<sup>50</sup> Special 301 Report on Intellectual Property Protection and Review of Notorious Markets for Piracy and Counterfeiting (2019):

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/ustr-releases-annual-special-301htt>

<sup>51</sup> European Commission (2019). Report on the protection and enforcement of intellectual property rights in third countries: [https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc\\_158561.pdf](https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158561.pdf)

<sup>52</sup> GfK Ukraine (2020). Study of digital content consumption: movies / TV series, music, books, Internet: [https://eba.com.ua/wp-content/uploads/2020/06/GfK\\_Digital\\_content\\_usage\\_press\\_conference.pdf](https://eba.com.ua/wp-content/uploads/2020/06/GfK_Digital_content_usage_press_conference.pdf)



## Music Unions

The transformation of a chaotic social movement to a structured organization is normally called institutionalization. The institutionalization of the music community is a big step in the formation of the industry. Based on common interests, professional associations solve the most urgent needs of the music market, ensure community development, lobby for sectoral interests in state authorities, etc.

In the Ukrainian music industry, there are numerous professional associations such as Union of Sound Directors of Ukraine, Association of Pop Artists of Ukraine, National Union of Kobza Players of Ukraine, National Composers' Union, All-Ukrainian Association of Distributors, Manufacturers and Sellers of Professional Sound and Lighting Equipment, and musical instruments; Association of the Music Industry; All-Ukrainian Jazz Association; All-Ukrainian Association of Creative Cultural Industries, Equipment Rentals Association, National All-Ukrainian Music Union, etc.

Most of these organizations facilitate the community, prompt experience exchange, and communicate within the industry. Some others remain unknown to the general public due to insufficient public information. None of the organizations mentioned above are being liquidated as of September 2020. A survey showed that artists and industry representatives have little knowledge of professional unions and are biased about their effectiveness.

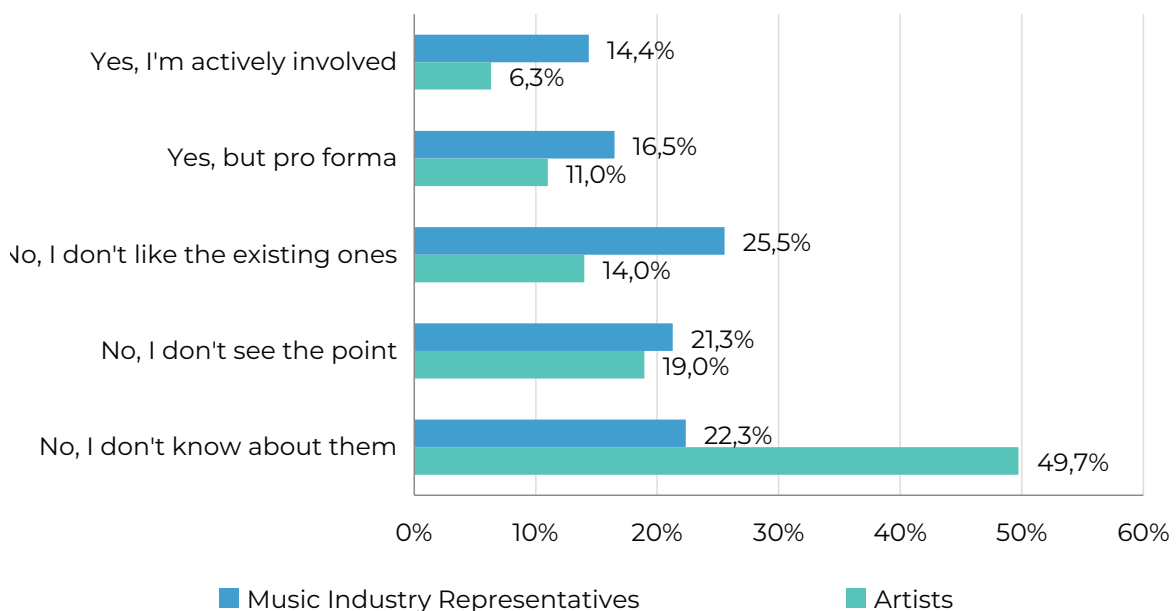


Fig. 1.9 Involvement in professional music unions

At the same time, new professional associations keep emerging to bring the music community closer together. For instance, in 2019 the All-Ukrainian Association of Music Events (VAMP) was founded. According to the founders, their main goal was to represent the members' interests before the Verkhovna Rada, the Ministry of Culture and Information Policy, and all other governmental institutions on all levels<sup>53</sup>.

In 2020, the All-Ukrainian Trade Union of Music Industry Workers was founded<sup>54</sup>. Its first initiative was an appeal to the Verkhovna Rada of Ukraine to create a dedicated sub-committee and a five-year development program for the music industry.

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<sup>53</sup> All-Ukrainian Association of Music Events (VAMP): [https://docs.google.com/document/d/1QVLSL625Kdlof1ZdtgaTA0y4KjRQhbhNqMUYNg8fTbY/edit?fbclid=IwAR3bCfzs\\_s8-jx0YbnpzKaAUD2av10aBxlul0b9SIDADkgNGq9OKODE-k7Q](https://docs.google.com/document/d/1QVLSL625Kdlof1ZdtgaTA0y4KjRQhbhNqMUYNg8fTbY/edit?fbclid=IwAR3bCfzs_s8-jx0YbnpzKaAUD2av10aBxlul0b9SIDADkgNGq9OKODE-k7Q)

<sup>54</sup> All-Ukrainian Trade Union of Music Industry Workers: <https://www.facebook.com/musprofspilka/>

A blue-tinted photograph of a drummer playing a drum set. The drummer's hands are visible, holding drumsticks and striking the drums. The image is overlaid with white text.

II.

# Authors and Performers

## Author/Performer of Songs: Definitions of Main Terms

The music industry creates and operates in three types of ownership: works of music (compositions, songs, their fragments), recordings (audio and video), and media (CD and DVD, MP3). Authors/performers are at the base of the industry, as they are the ones who create the initial products: songs/compositions and/or performances. According to the Law of Ukraine On Copyright and Related Rights<sup>55</sup>, the author is a natural person who created the piece of music with their creative work, while the performer is a singer and/or musician who plays a music instrument. They're the main subjects of copyright and related rights (while the objects copyrighted are works of music with or without lyrics and their respective performances).

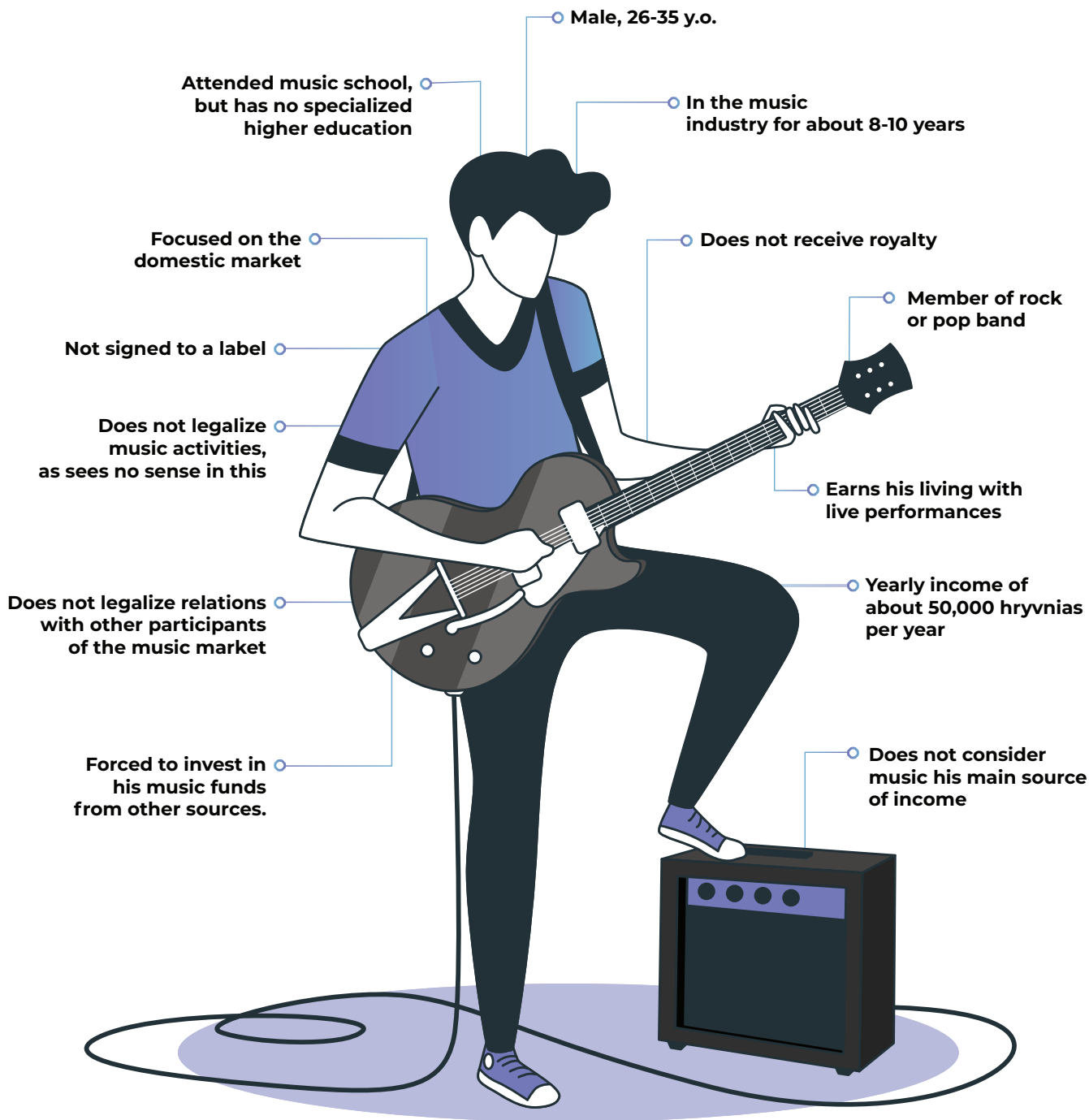
In academic music, the author is usually a **composer**, in popular music (which is the object of this study) it's the songwriter or singer-songwriter. The fundamental difference between them is that authors create songs (only music or complete works of music with lyrics) requested by performers, usually pop-stars: Andrii Pidluzhnyi (Tina Karol, Tonia Matviienko), Oleksii Potapenko (MOZGI "Vremia y Steklo"), Vladyslav Prykhodko (Ani Lorak, Tina Karol, Nataliia Mohylevska), Svitlana Kravchuk (Olia Poliakova, Svitlana Loboda). The activities of singer-songwriters include performances: Olena Topolia (Alyosha), Nataliia Zhyzhchenko (ONUKA), Sviatoslav Vakarchuk ("Okean Elzy"), Dmytro Shurov ("Pianoboi"), Oleksandr Bulich (Sasha Boole). Singer-songwriters and performers are those called artists in everyday life.

<sup>55</sup> The Law of Ukraine On Copyright and Related Rights: <https://zakon.rada.gov.ua/laws/show/3792-12#Text>

## Portrait of an Average Author/Performer of Songs in Ukraine

Based on the survey, a portrait of an average author/performer of songs was created. This statistical portrait is also a reflection of fundamental problems that songwriters/performers in Ukraine have, namely:

- low income;
- informal activities;
- little legal knowledge;
- actual one-source income (in the absence of concerts, other sources of income do not compensate for lost profits);
- low level of institutional relations with other participants of the market.





## Social Portrait of an Author/Performer of Songs

Based on the results of the survey, in terms of authors/performers, the Ukrainian market is quite young (only 4,1% are older than 45, most of the respondents (51,8%) are between 26 and 35 of age), yet experienced: in total, 58% of respondents have a work experience of 5-20 years.

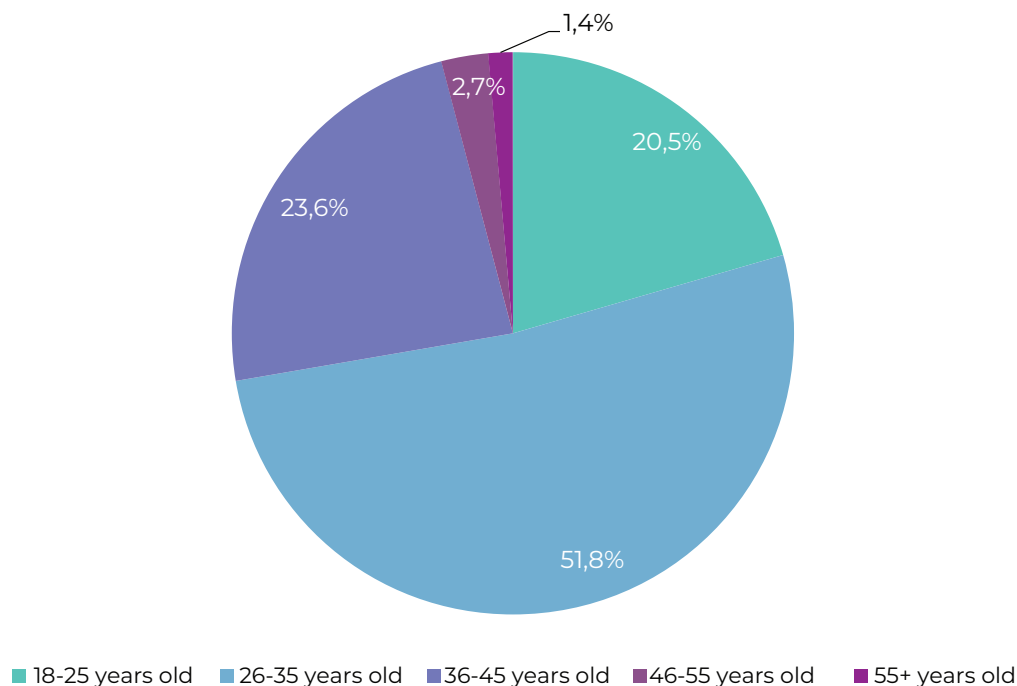


Fig. 2.1 Ages of the respondents

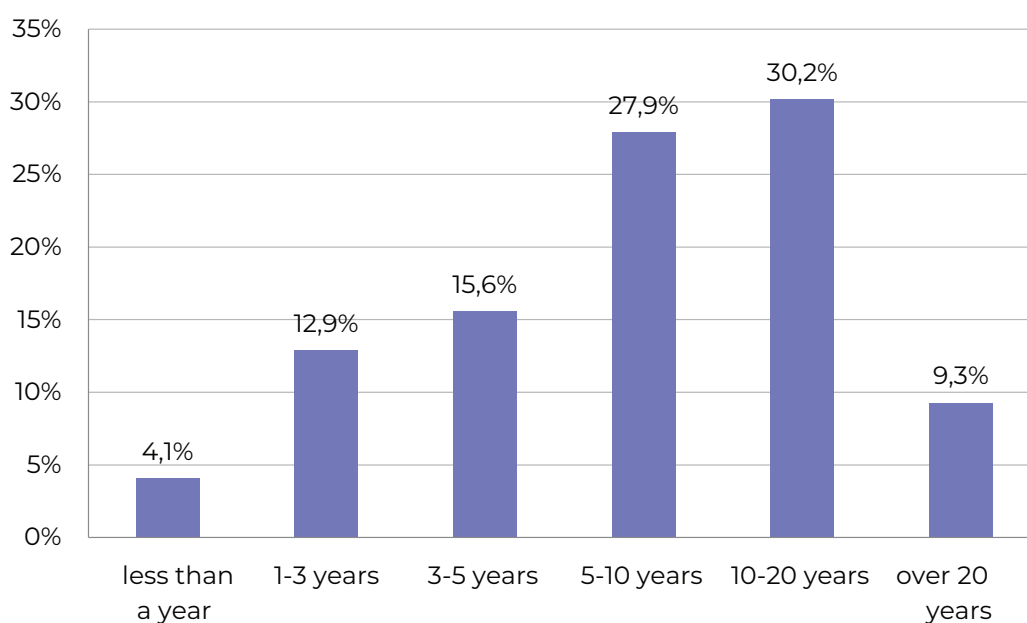


Fig. 2.2 Respondents' work experience on the market

Over  $\frac{2}{3}$  of all authors/performers are men. In general, such a gender imbalance is typical of the world music industry which is dominated by men; in Ukraine, the number of female authors/performers is even higher. For instance, there are only 19.69% of female artists in UK, and 21.7% of female artists<sup>57</sup> in the USA<sup>57</sup>.

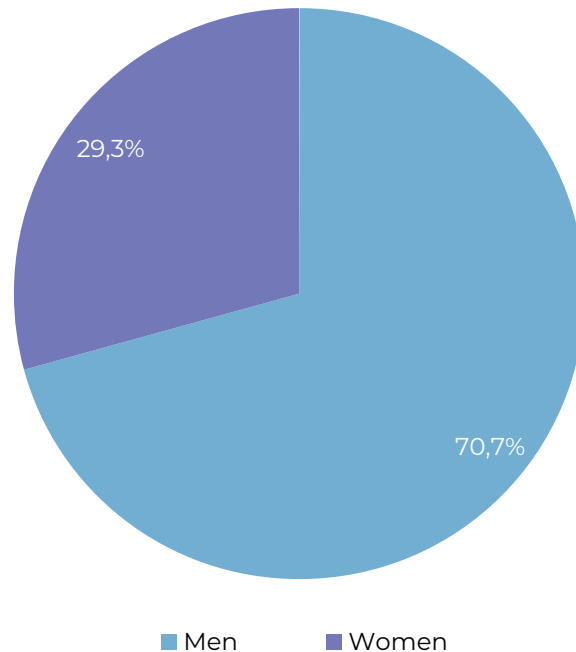


Fig. 2.3 Gender of respondents

More than half of the authors/performers (58.6%) live and work in Kyiv. The music market of Ukraine (as well as creative industries in general) is Kyiv-centric: in particular, according to the Index of Cultural and Creative Potential of Cities<sup>58</sup>, Kyiv has the highest potential for the development of the music industry. This is due to favorable business conditions, a high ability of the city to form and attract human capital (compared to other cities), developed infrastructure, and sufficient participation of the population in the cultural life. According to the State Statistics Service of Ukraine, as of January 1st 2020, 14.7% of nation-wide registered legal entities under Class 90.01 Theatrical and Concert Activities<sup>59</sup> were registered in Kyiv – this is the highest figure in the country.



<sup>56</sup> Counting the Music Industry: The Gender Gap <https://countingmusic.co.uk/>

<sup>57</sup> Dr. Stacy L. Smith, Marc Choueiti, Dr. Katherine Pieper, Hannah Clark, Ariana Case, & Sylvia Villanueva (2019). Gender & Race/Ethnicity of Artists, Songwriters, & Producers across 700 Popular Songs from 2012-2018: <http://assets.uscannenberg.org/docs/aai-inclusion-recording-studio-2019.pdf>

<sup>58</sup> Oleksandra Slobodyan, Anastasiia Fitisova, Mariia Hryshchenko, Daryna Pyrohova. Index of Cultural and Creative Potential of Cities:

<https://cedos.org.ua/uk/articles/dosvid-vymiriuvannia-kultury-ta-kreatyvnosti-v-mistakh-ukrainy>

<sup>59</sup> Class 90.01 Theatrical and Concert Activities includes the theatrical productions, concerts, opera or ballet productions, and other stage productions#. The Music Industry doesn't have individual classes of economic activities, which is a problem for the market in general, as well as for studying it.

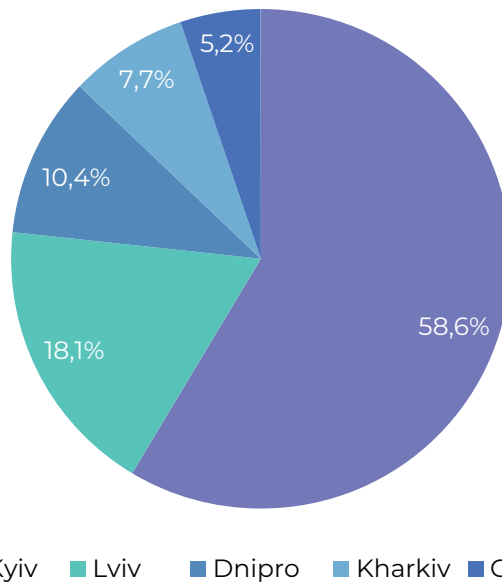


Fig. 2.4 Geographical distribution of authors/performers

As for genre distribution, almost half of the authors/performers (48.5%) in total work in three directions: rock, pop-music, and electronic music<sup>60</sup>. In general, this correlates with the musical preferences of the audience<sup>61</sup>: the top genres in Ukraine are pop-music, classical music<sup>62</sup>, folk music, chanson (local genre similar to bard music, sometimes referred to as Russian chanson), and rock music. But with young people aged 18-35<sup>63</sup> being the main consumers, the genre distribution of the market fully correlates with the top musical preferences of this segment. At the same time, the Ukrainian market differs from the world market, with hip-hop not being in the top 3.

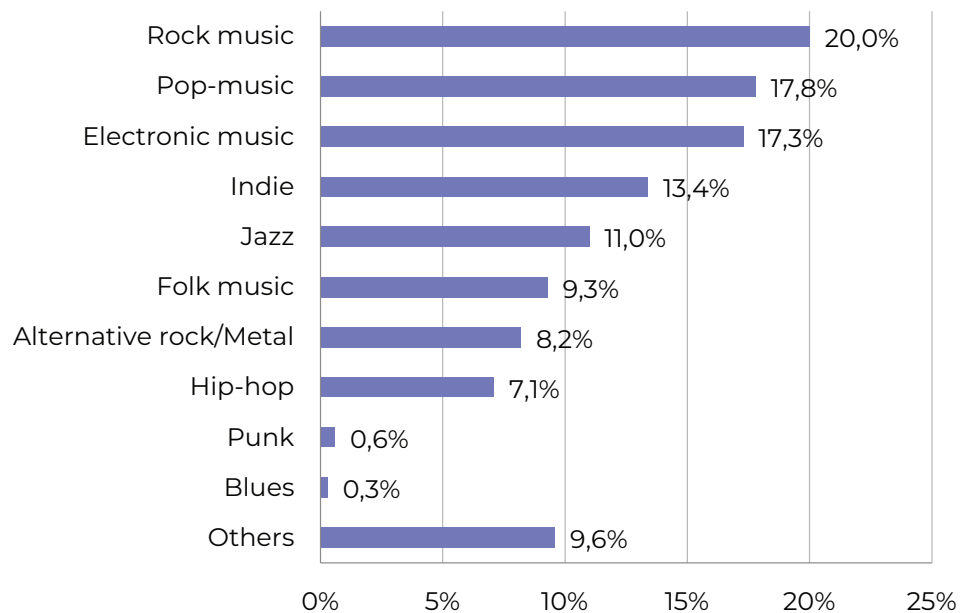


Fig. 2.5 Genre distribution

<sup>60</sup> Respondents could choose several answers to the question of belonging to a particular musical genre.

<sup>61</sup> Rating Group (September 2019). Musical Preferences of Ukrainians. [http://ratinggroup.ua/files/ratinggroup/reg\\_files/rg\\_music\\_092019.pdf](http://ratinggroup.ua/files/ratinggroup/reg_files/rg_music_092019.pdf)

<sup>62</sup> Classical music is a product of the academic market that was not included into the study.

<sup>63</sup> IFPI Music Listening 2019 <https://www.ifpi.org/wp-content/uploads/2020/07/Music-Listening-2019-1.pdf>

The share of authors, those who create songs for other artists, themselves or their band, is 17.8%. Almost half of respondents are members of music bands (49.3%), approx. ¼ are solo performers (26.8%), and 9.3% are session musicians<sup>64</sup>.

For a little over ⅓ (37%) of authors/performers, music is the only source of income. 63% hold other jobs and sources of income, with 30.7% of respondents not taking music as a serious source of income and merely considering it a hobby. Thus, ⅓ of authors/performers don't see music as work that brings income.

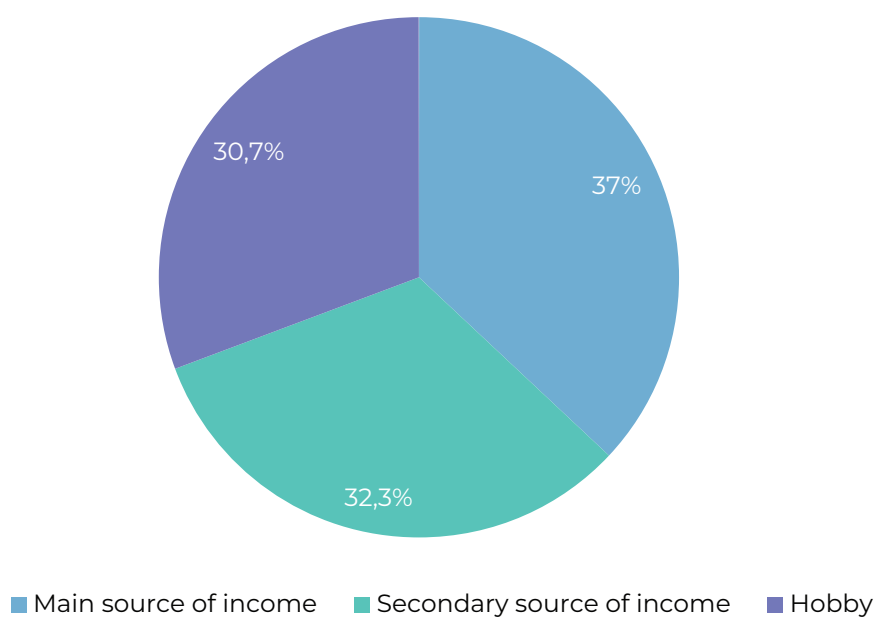


Fig. 2.6 The role of music in the life of the authors/performers in Ukraine

The role of music in the life of an author/performer is a defining criterion for further differentiation. The music industry is primarily a business conducted with the goal of financial gain from the creation of new songs, shows, etc.. Profit is an important stimulus of its development: the market (or possibility of its creation) must first be seen by its participants. Therefore, we studied not only the authors/performers in Ukraine as a group, but also singled out the category of professional artists to whom music is the main source of income.



<sup>64</sup> Respondents could choose several options, since they can combine several roles at the same, like playing in a band and performing solo.

## Education and Competencies

More than half of authors/performers of songs in Ukraine (56.7%) received specialized art education at a music school. Among those for whom music is the primary source of income, this percentage is even higher and lies at 77%.

Before the primary art schools were reformed in 2017/2018<sup>65</sup>, there were 786 music schools in Ukraine, attended by 166,000 children<sup>66</sup>. According to the Ministry of Culture and Information Policy, as of 2020 approx. 290,000 children in Ukraine attend 1,200 art schools with music departments (out of more than 1,300 institutions in total).

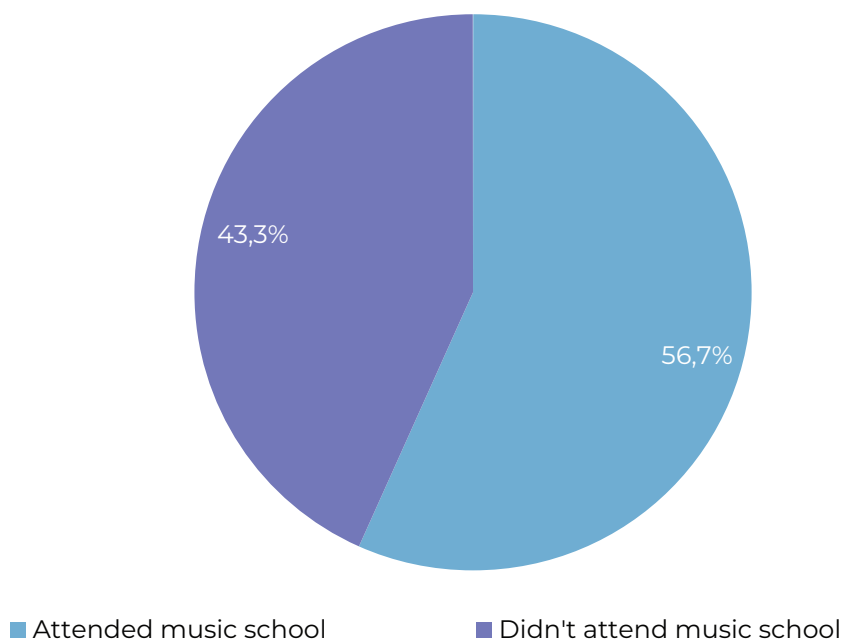
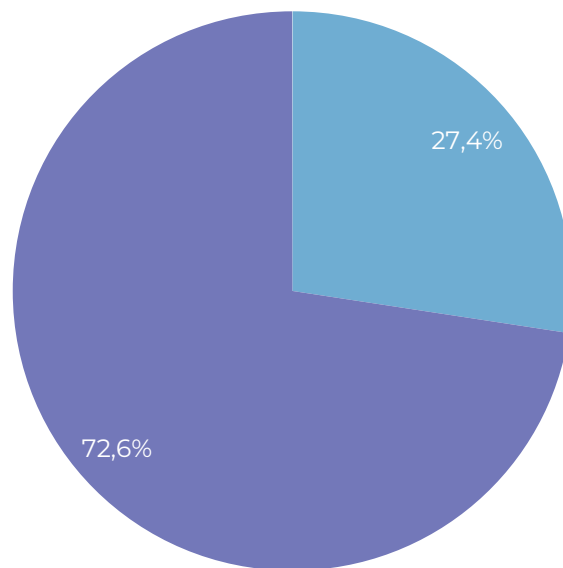


Fig. 2.7. Specialized art education (music school)

At the same time, only a little over half of authors/performers have specialized higher education (27.4%). However, their share is much higher among those for whom music is the primary source of income (57%). Almost all of them graduated in Musical Art, with most of them majoring as Instrumentalists.

<sup>65</sup> The Order of the Ministry of Culture of Ukraine № 686 from August 09, 2018, On Approving the Regulations on Art School: <https://zakon.rada.gov.ua/laws/show/z1004-18#n7>

<sup>66</sup> State Statistics Service of Ukraine. Institutions of Culture, Physical Culture and Sports of Ukraine in 2017: [http://www.ukrstat.gov.ua/druk/publicat/kat\\_u/2018/zb/05/zb\\_zkm\\_2017.pdf](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2018/zb/05/zb_zkm_2017.pdf)



■ With specialized higher education ■ No specialized higher education

Fig. 2.8. Specialized higher education

In Ukraine, 36 institutions of higher education provide training for a Bachelor's degree, 29 of which prepare for a Master's degree. The demand for Speciality 025 Musical Art keeps growing: In three years, the total amount of state-funded and contract seats grew by 66% and 110% for Bachelor, and 9% and 44% for Master respectively.

	2017		2018		2019	
	state-funded	private-funded	state-funded	private-funded	state-funded	private-funded
<b>Bachelor</b>	1779	1304	2480	2020	2961	2747
<b>Master</b>	831	1151	907	1541	911	1660

Tab. 2.1. Number of students admitted in 2017-2019 to the Bachelor and Master programs<sup>67</sup> in Musical Arts.

The largest specialized institutions of higher education for musicians are the National P.I. Tchaikovsky Music Academy of Ukraine (Kyiv), Lviv National M.V. Lysenko Academy of Music, Kharkiv National I.P. Kotlyarevsky University of Arts, Odessa National A.V. Nezhdanova Music Academy, and the Kyiv National University of Culture and Arts. In 2019, the Ceoworld magazine conducted an in-depth global survey among 20,000 music students and 25,000 music professionals. Their goal was to compile a rating of music education institutions in the world however, none of the Ukrainian institutions got in<sup>68</sup>.

<sup>67</sup> Data provided by the Ministry of Education and Science of Ukraine

<sup>68</sup> Ceoworld (2019). Best Music Schools In The World For 2019:

<https://ceoworld.biz/2019/03/23/best-music-schools-in-the-world-for-2019/>



In general, authors/performers evaluate the level of specialized higher education as Satisfactory (37.8%). At the same time, 15.3% respondents find it Very Good or Good, and 41.7% find it Unsatisfactory and Very Bad (the rest refrained from answering). The opinion does not depend on whether music is a source of income, it remains Satisfactory with a negative connotation (even though this segment has a larger percentage of those with higher specialized education).

According to education standards, a graduate of a specialized institution of higher education must not only show artistry, performative and technical skills of mastering an instrument (and/or voice), but also understand financial and administrative principles of events, have managerial skills and legal knowledge. However, these standards are primarily relevant to the training of academic composers/performers and are not adapted for authors/performers of contemporary music. At the same time, there are educational institutions in Western countries specialized in popular music: for instance, the Berklee College of Music (USA) offers a Bachelor's degree in songwriting, while the University of the West of Scotland (Great Britain) offers a Master's degree. Their programs focus on practical and commercial skills.

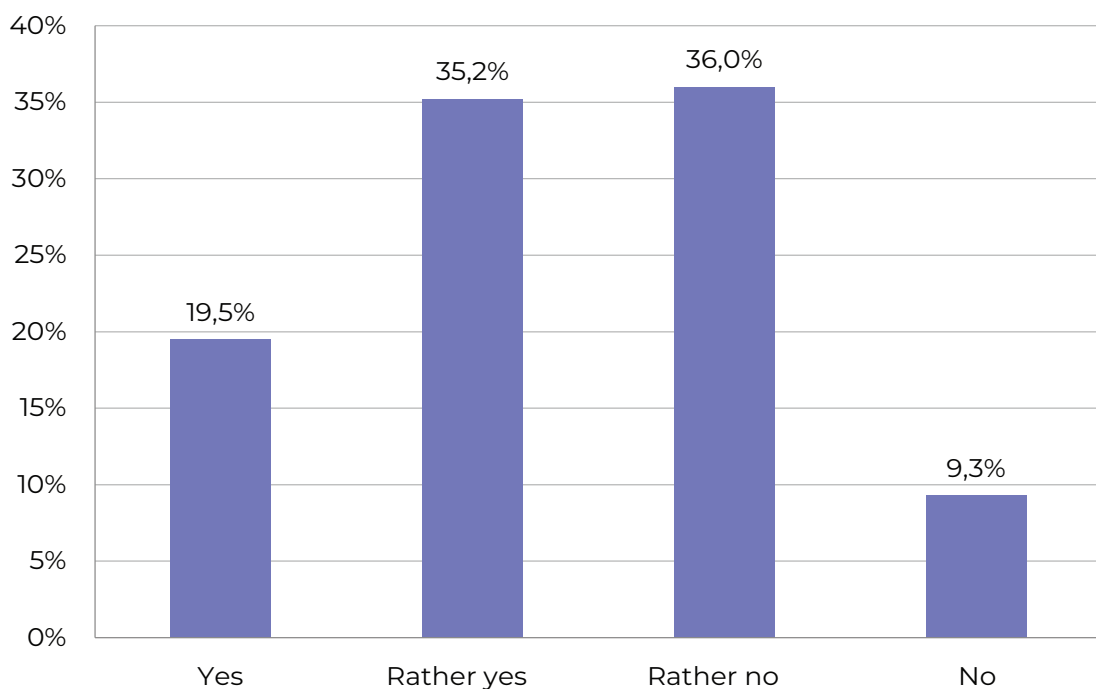


Fig. 2.9. Do you find your business competencies sufficient?



<sup>69</sup> Order of the Ministry of Education and Science of Ukraine On Approving the Standard of Higher Education for specialty 025 Music Art for the Bachelor's degree: <https://mon.gov.ua/storage/app/media/vishcha-osvita/zatverdzeni%20standarty/2019/05/28/025-muzichne-miststvo-bakalavr.pdf>

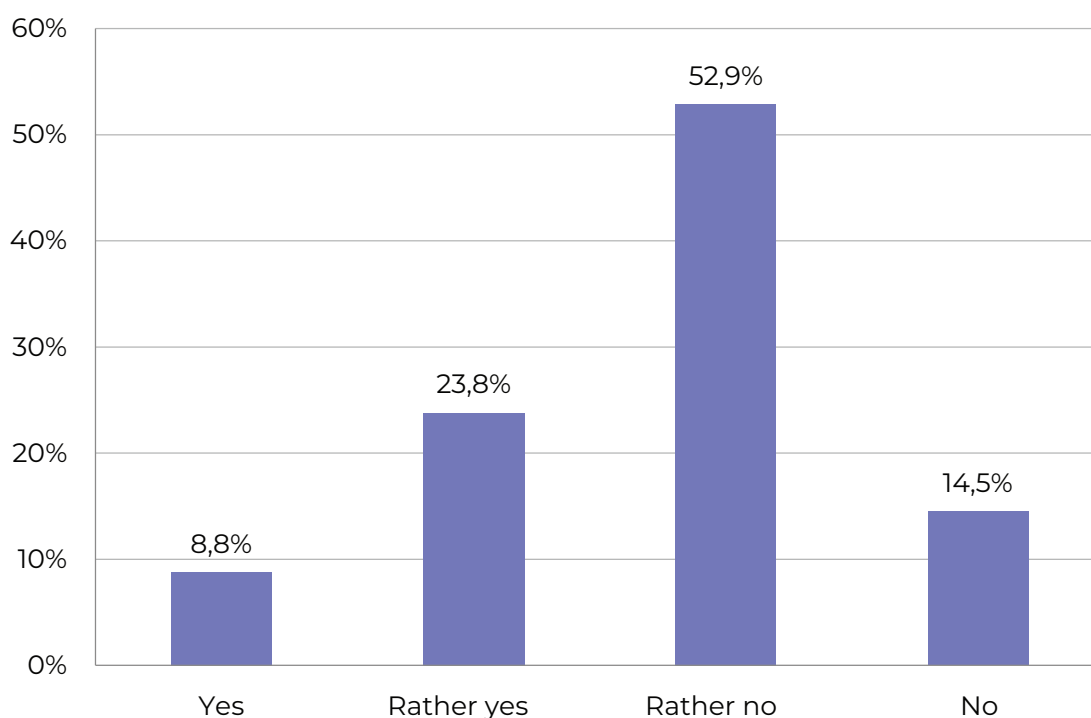


Fig. 2.10. Do you find your legal competencies sufficient?

Based on a subjective assessment, Ukrainian authors/performers see their business competencies as average (Only one in five authors/performers is confident in them being sufficient to work on the music market). As for legal knowledge, the situation is much worse: only one in 11 respondents has enough legal competencies to protect their intellectual property.

Low awareness of authors/performers in business and legal issues is the reason for conducting business informally, for the internal structural chaos on the music market, and issues regarding copyright and related rights in Ukraine. In turn, this causes other significant problems that prevent the industry from functioning properly. More about this in sections Legal Aspect of Activities and Copyright and Related Rights Issues in Ukraine.

## Relations of Authors/Performers With Other Participants of the Music Ecosystem

Authors and performers interact differently with other members of the ecosystem. Authors interact with performers, music production, management, PR, publishers, and distributors, but not with the live music industry (Their only connection is indirect – by receiving royalty payments; however, they don't get paid directly by promoters, but through CMOs for copyright and related rights). Singer-songwriters and performers on the other hand interact with all parts of the ecosystem: music production, management and PR, music publishers, distributors, and the live music industry.

More on the evaluation of the effectiveness of certain areas of the music industry by authors/performers can be found in the Section 1 of the study Ukraine's Music Industry Ecosystem.

## Legal Aspect of Activities

69.3% of authors/performers of songs in Ukraine are not legally registered, i.e. working informally. This percentage is slightly lower (55%) among those for whom music is the main source of income. The main reason given by the respondents is that they do not see any sense in it.

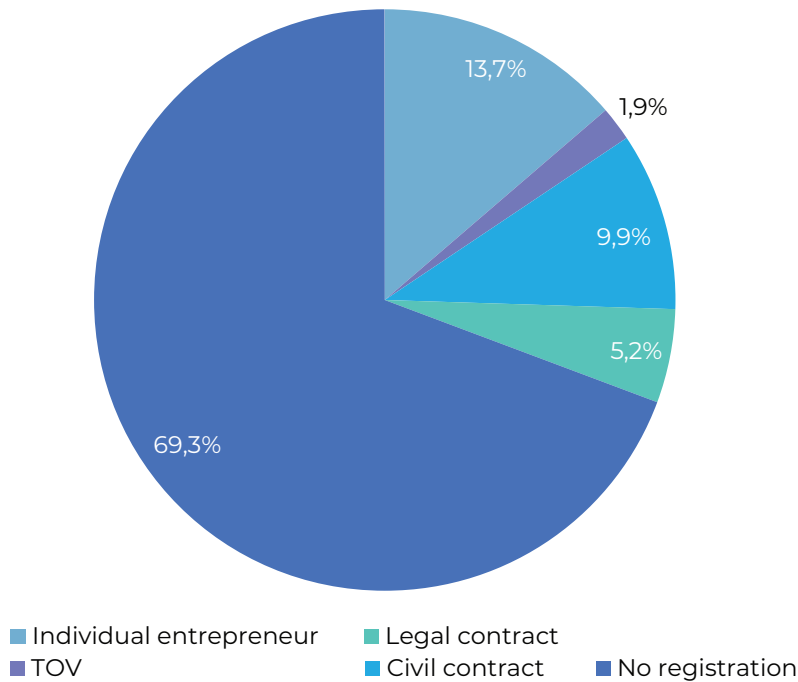


Fig. 2.11. Legal registration of activities by authors/performers in the music industry

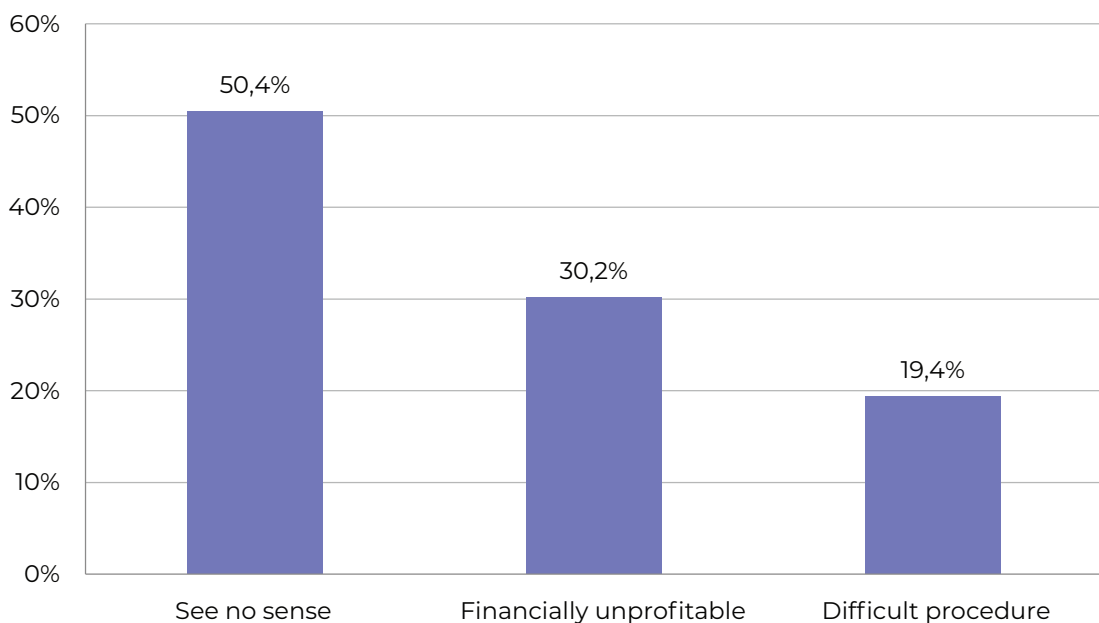


Fig 2.12. Reasons for not registering

But that's not all: even relationships within the music industry are not formalized: 74.7% of respondents don't legally document their collaborations with any members of the music ecosystem (the percentage is lower (65%) for those for whom music is the primary source of income). This is one of the main paradoxes of the Ukrainian music market: "trust-based" work despite the lack of trust between all market participants and weak institutional ties.

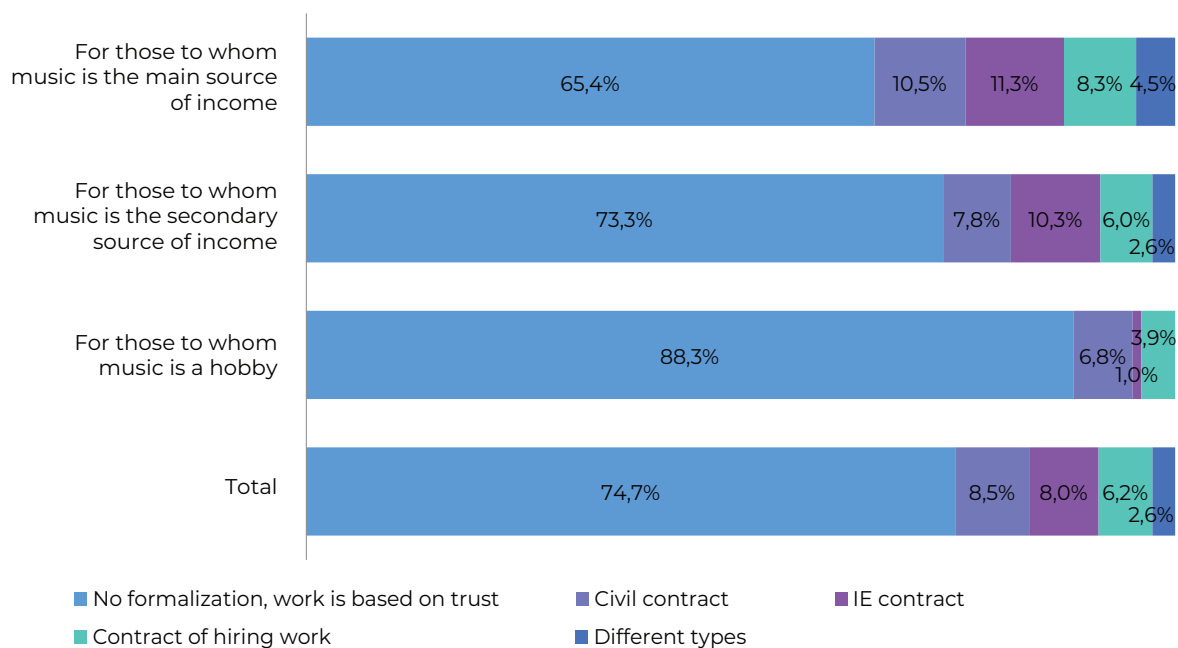


Рис 2.13. Legal formalization of collaborations between members of the music ecosystem

Only 23.3% of authors/performers are signed to a label, and 61.5% would like to be. This is in line with the global trend of the growing DIY-scene. Thus, according to the analytical platform Midia Research, in 2019 the share of DIY-artists in the global industry was 4.1%, experts call it a great achievement and the Time of the Artists. At the same time, only 8% of independent artists surveyed would like to have a traditional contract with a label (and more than half would like to have a contract for label services)<sup>70</sup>. In Ukraine, 15.1% of artists don't have and don't want to have ties to a label. The main reasons are that authors/performers don't see any sense in labels, or don't want them to affect their creativity. The unwillingness to share copyright is not decisive. Which doesn't come as a surprise: authors/performers are not bothered by the issue of reserving their copyrights. More on this in the subsection Copyright and Related Rights Issues in Ukraine.

<sup>70</sup> Mark Mulligan (2020). Welcome to the Age of the Artist: <https://www.midiaresearch.com/blog/welcome-to-the-age-of-the-artist>

## Income of Authors/Performers of Songs

For 85.4% of respondents, music isn't the only source of income – in other words, they have other jobs. In addition, 88.2% of respondents are forced to invest in their musical activities from other sources (the percentage is lower (76%) among professional musicians). For 54.9%, the income from music amounts to less than ¼ of their total income. For professional musicians, this percentage is naturally extremely low.

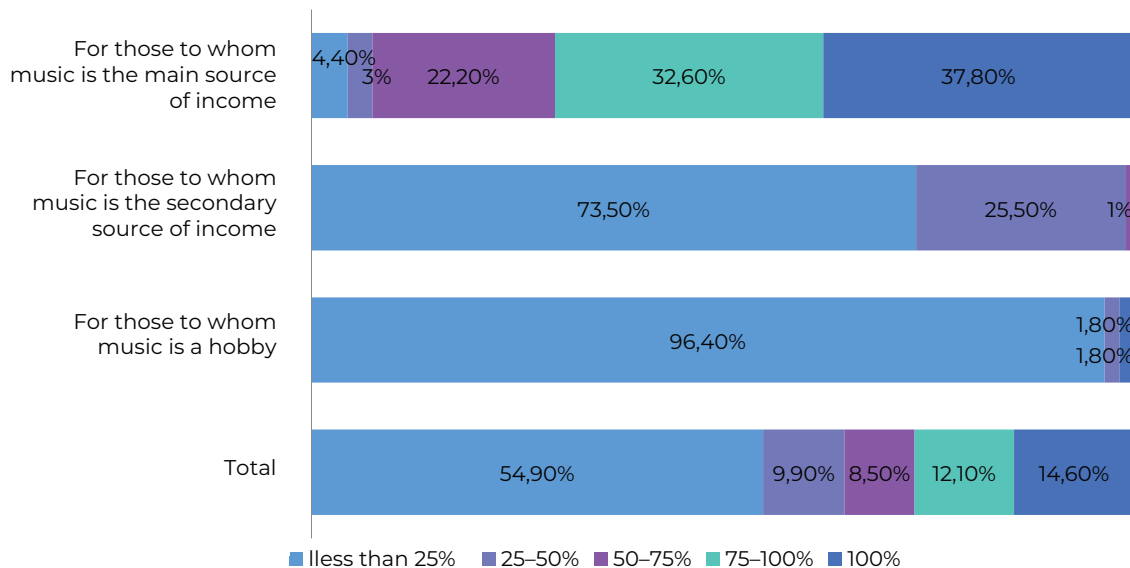


Fig. 2.14. Share of income from musical activities

Songwriters usually have three sources of income: fee for a sold song (to a performer or a commercial organization), composition copyright royalty, and teaching music. For performers, this is list a lot longer: concerts in Ukraine and abroad, streaming, digital and physical music sales, licensing, patrons (such as on Patreon), crowdfunding, collaborations with brands, royalty for related rights (in the case of singer-songwriters, combined with copyrights), and teaching music. Many of the quite popular Ukrainian artists have other jobs.

Among those for whom music is a source of income, primary or otherwise, the largest share of earnings comes from concerts (in Ukraine – for 69.6% from all respondents, abroad – for 24.5%), teaching (27.6%), streaming (21.3%), and digital music sales (20.7%)<sup>71</sup>. This is typical of Eastern-European markets<sup>72</sup>. At the same time, such a high dependence on one source of income has led to musicians being left with barely any means of existence during quarantine (when mobility and live performances are significantly limited). More on live shows as a source of income for artists in the chapter Live Music Industry.

<sup>71</sup> Respondents could select up to three sources of income

<sup>72</sup> Daniel Antal (2020).CFA Central European Music Industry Report: <http://ceereport2020.ceemid.eu/index.html>

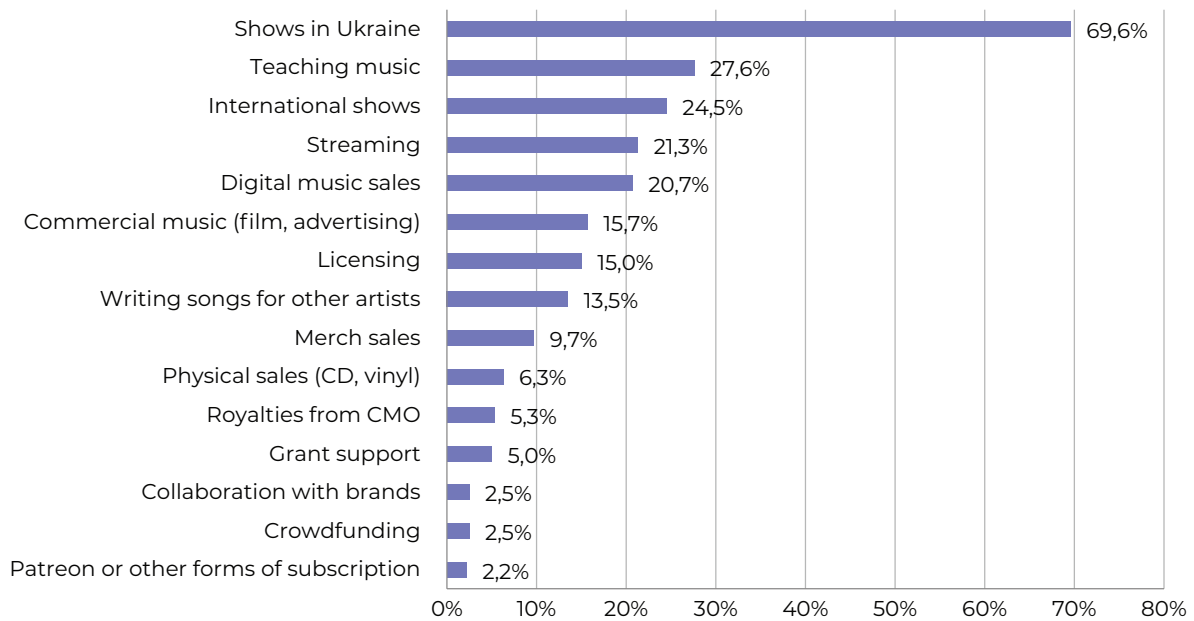


Fig 2.15 Main sources of income of authors/performers in music

Another difference in the income structure typical of the Ukrainian market is that the income from CMOs for copyright and related rights is low. Only 5.3% of those earning their living with music mentioned it. More on this in the section Copyright and Related Rights Issues in Ukraine.

For 80.8% of authors/performers, the income from music activities can't cover their basic financial needs. Among professional authors/performers, this share is smaller and makes 54.1%.

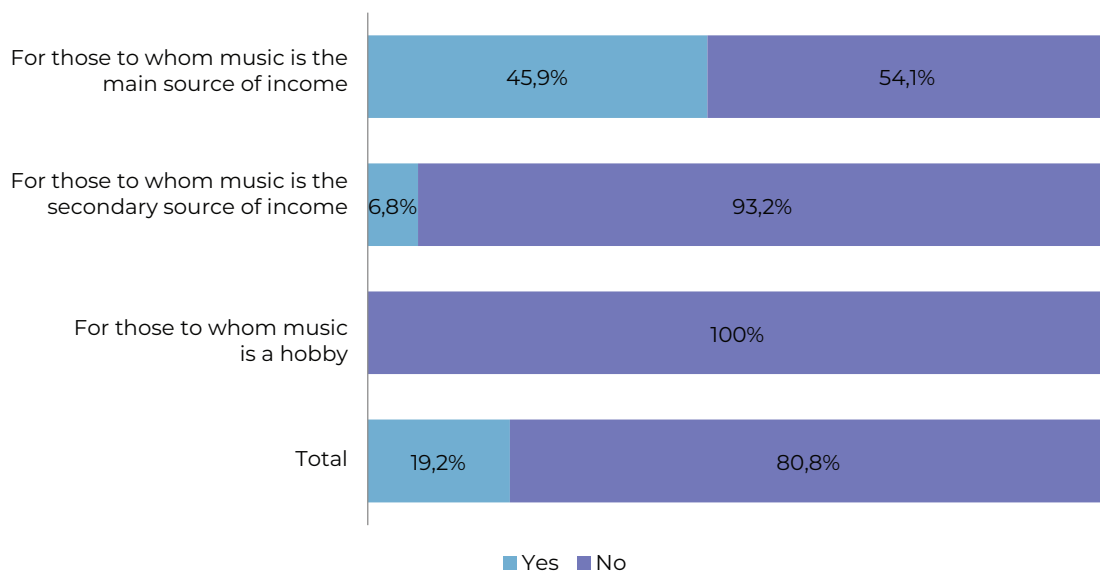


Fig. 2.16. Does the level of income from music activities meet basic financial needs of authors/performers?



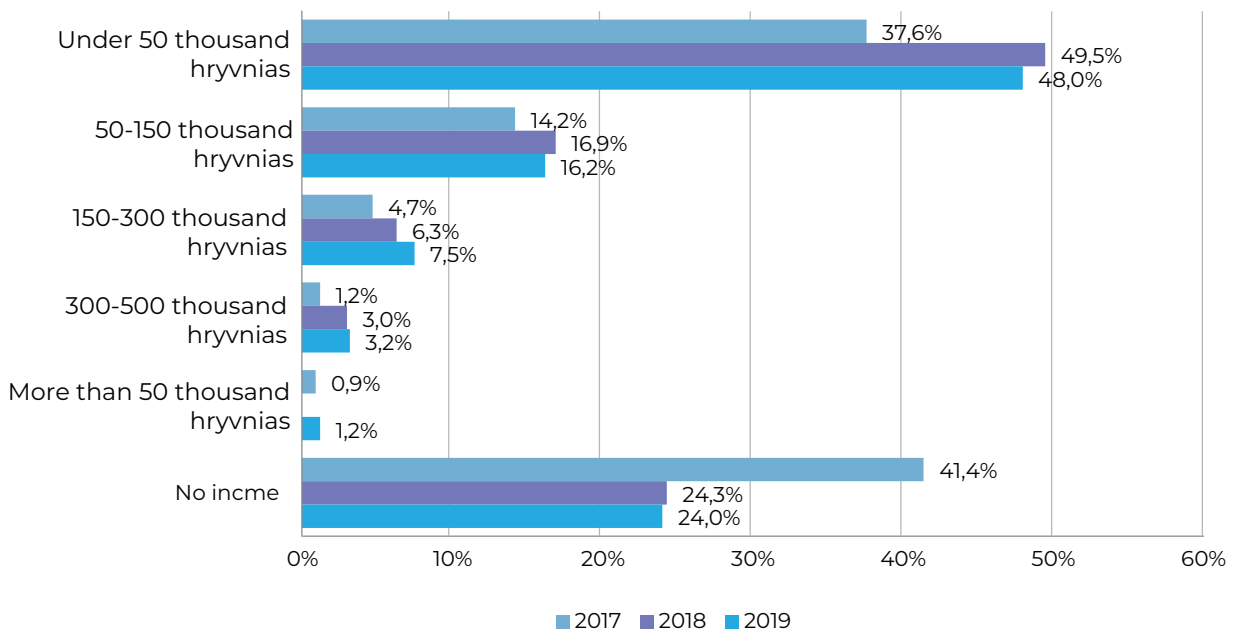


Fig. 2.17. Income of all respondents from music activities in 2017-2019

According to the data obtained from polling authors/performers, there is no clear signs of growth or decline in their income during 2017-2019. However, the number of those who didn't receive any income from music in three years decreased.

24% of respondents don't get any income from music: this is one in four surveyed authors/performers in Ukraine. 48% earn under 50,000 hryvnias per year, which translates to less than the monthly minimum wage<sup>73</sup> of 4,173 hryvnias set by the State Budget of Ukraine for 2019. Another 16.2% indicated an income of 50,000-150,000 hryvnias per year, which translates into less than the average monthly wage in 2019 (among those for whom music is the primary source of income, this percentage lies at 33.1%). Accordingly, only 11.8% have an income that is higher than the average monthly wage throughout the country. Among those for whom music is the primary source of income, the gradation is more strongly pronounced: 18.5% earn 150,000-300,000 hryvnias, 8.1% earn 300,000-500,000 hryvnias, 3% earn over 500,000. All respondents to whom music is a hobby have no income or one under 50,000 hryvnias per year.

More than half of all respondents are interested in grants to financially support their work, but less than 15% have experience in applying for them – which also correlates with the general trend on the Eastern-European market<sup>74</sup>. However, state support is mostly available to those working formally, i.e. officially registered and paying taxes. As mentioned earlier, most authors/performers do not fall under these criteria.

<sup>73</sup> The Draft Law On the State Budget of Ukraine for 2019: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=64598](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=64598)

<sup>74</sup> Daniel Antal(2020). CFA Central European Music Industry Report: <http://ceereport2020.ceemid.eu/index.html>

## Copyright and Related Rights Issues in Ukraine

Songwriters in Ukraine aren't obligated to register their rights – according to the law and the Berne Convention for the Protection of Literary and Artistic Works, the copyright to a work emerges at the moment of its creation. No registration is required for its creation and implementation: that is, the author is not required to have a copyright certificate for the work, as the law protects unregistered copyright objects. However, if you apply to the court for copyright protection, the certificate is actual proof of authorship and documentation of the creation date. As the need for registration is not imperative, the vast majority of authors do not register their musical works. But in general, Ukraine shows a growing tendency towards registering the copyright.

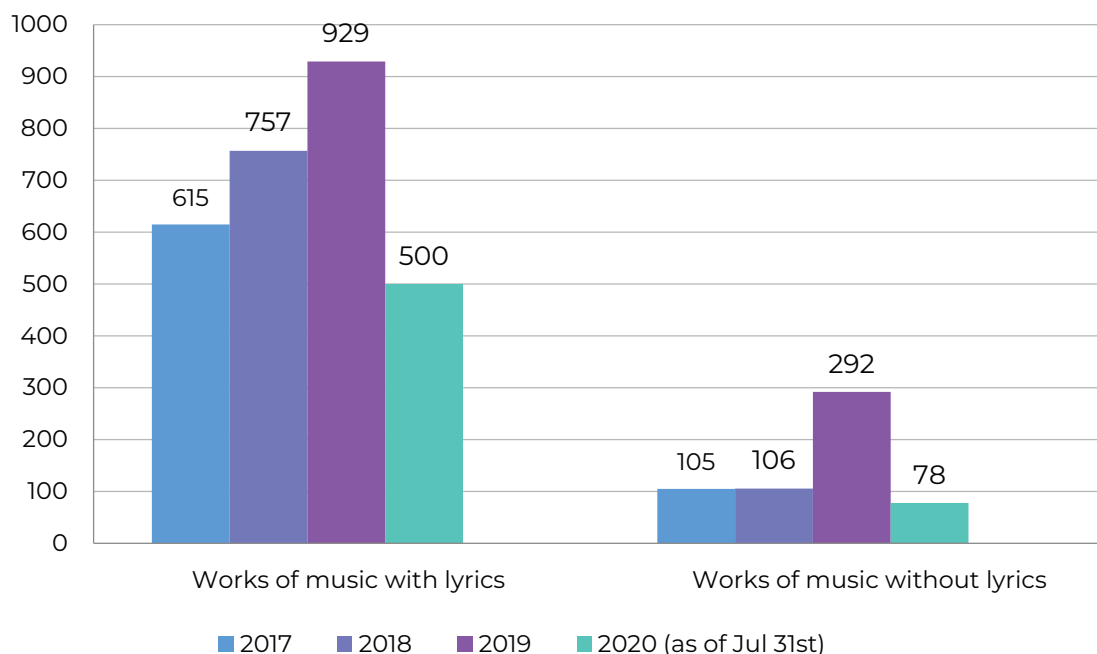


Fig. 2.18. Number of registered works of music from 2017 to July 31st, 2020. Based on the data provided by the Ministry of Economic Development, Trade, and Agriculture of Ukraine.

Related rights appear from the performance of a work of music, phonogram or videogram production, or its publication. They are not subject to registration.

38.7% of authors/performers had their work used without permission, but only 15.6% of them could protect their rights (i.e. one in six authors whose rights were violated). One in five authors/performers in Ukraine (20.6%) don't care if their songs are being used without them knowing.

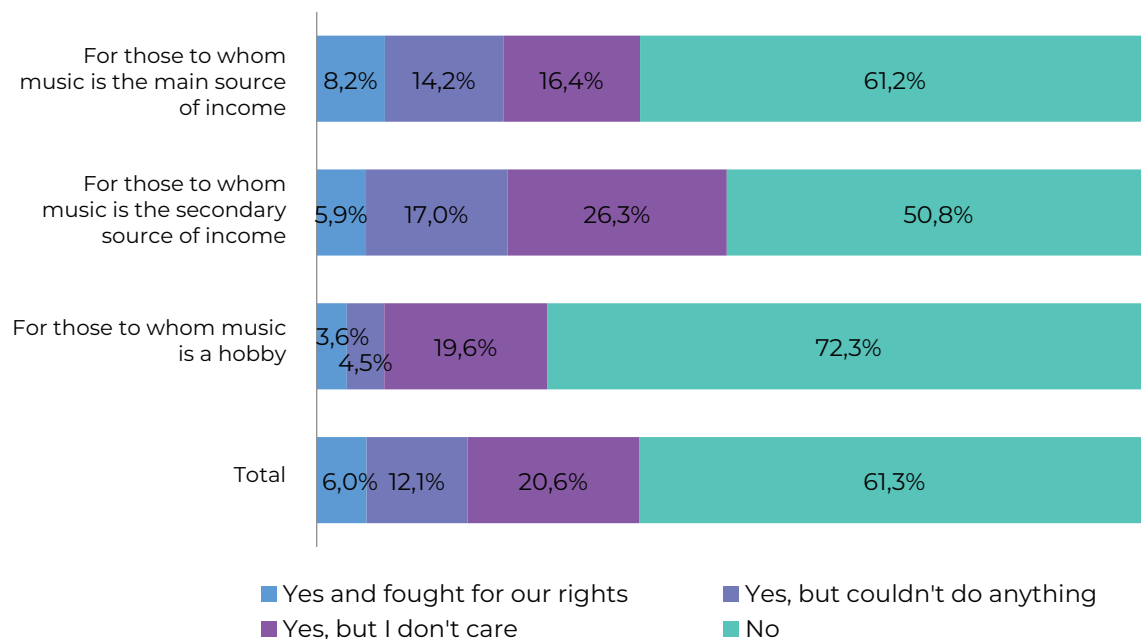


Fig 2.19. Did the authors have their work used without permission?

The catastrophic situation with copyright and related rights of authors/performers is part of the bigger problem with intellectual property in Ukraine. In 2013, Ukraine received the lowest possible status of a priority foreign country from the US Department of Commerce<sup>75</sup>. There were three reasons:

1. Unfair and non-transparent management of collection systems by CMOs. Ukraine admitted having the problem: royalties were collected by fraudulent organizations, rights owners received little money, and no one has been held legally accountable. On top of this, there was no CMOs authorized by the state to collect royalties from public performance rights.
2. Use of unlicensed software by state bodies of Ukraine.
3. Internet piracy.

Almost 1/5 of the main text of the Association Agreement with the European Union is devoted to the issue of intellectual property<sup>76</sup>. Therefore, under threat of sanctions from the United States and based on commitments to the EU in recent years, Ukraine has significantly reformed its legislation on protecting intellectual property.

In June 2020, the Verkhovna Rada of Ukraine adopted a law<sup>77</sup> necessary to establish the National Authority for Intellectual Property (to be established on the basis of the Ukrainian Institute of

<sup>75</sup> Office of United States Trade Representative (USTR) (2013) Identification of Ukraine as a Priority Foreign Country and Initiation of Investigation: <https://www.regulations.gov/document?D=USTR-2013-0023-0001>

<sup>76</sup> Association Agreement between Ukraine, of one part, and the European Union, Euratom, and its member states, of the other part: <https://www.kmu.gov.ua/storage/app/media/ugoda-pro-asociaciyu/00ukraine-euassociationagreementbody.pdf>

<sup>77</sup> The Draft Law on Amendments to Certain Legislative Acts of Ukraine Concerning the Establishment of a National Authority for Intellectual Property: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=67060](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67060)

Intellectual Property; not functioning as of August 2020). In September 2017, the procedure for the establishment of the High Court of Intellectual Property began<sup>78</sup> (not yet functioning as of August 2020). But most importantly for the music industry, on July 22, 2018, the Law of Ukraine On Effective Management of Property Rights of Holders of the Copyright and (or) Related Rights came into force<sup>79</sup>. As of August 2020, the court blocked the accreditation process in the public performance rights; the broadcasting companies and the Ukrainian Music Alliance accredited for public performance rights on related rights still can not agree on tariffs for music and phonograms. As promised to international partners, Ukraine has reformed its intellectual property legislation and brought it in line with Western standards. But there are gaps to be filled, and the adopted legislation has little practice<sup>80</sup>. As of 2019, Ukraine is under priority observation of the United States Trade Representative<sup>81</sup> regarding the same issues: CMOs, use of unlicensed software, Internet piracy. For the EU, Ukraine is in the group Priority 2<sup>82</sup>.

Extremely prominent was the situation that evolved around the musical number on the Independence Day of Ukraine in 2020. On August 24, the 17-minute potpourri was played on Sofiyska Ploshcha – titled Musical History of Independence, it consisted of 42 song fragments from popular artists. The law allows for such without the author's prior consent, however, only if the title and the author are indicated, which didn't happen during the broadcast. The Office of the President executed the law after the fact<sup>83</sup>, with some names being mixed up. When it comes not only to respect for the copyright, but also money, torrents, pirated downloads, unlicensed software, all this has nurtured a certain culture of free consumption inside Ukraine for decades.

According to the survey, 65.2% of respondents do not receive royalties for the use of musical works created or performed by them. Moreover, 74.6% of them haven't even tried to do it. At the same time, each of them has certain copyrights and/or related rights, and therefore, each of the respondents must receive payments for the use of such rights by third parties.

<sup>78</sup> Decree of the President of Ukraine On the Establishment of the Supreme Court on Intellectual Property: <https://zakon.rada.gov.ua/laws/show/299/2017#Text>

<sup>79</sup> The Law of Ukraine On Effective Management of Property Rights of Holders of Copyright and/or Related Rights: <https://zakon.rada.gov.ua/laws/show/2415-19#Text>

<sup>80</sup> Global Innovation Policy Center – Ukraine: <https://www.theglobalipcenter.com/ipindex2019-details/?country=ua>

<sup>81</sup> The Office of the United States Trade Representative (USTR) 2019 Special 301 Report: [https://ustr.gov/sites/default/files/2019\\_Special\\_301\\_Report.pdf](https://ustr.gov/sites/default/files/2019_Special_301_Report.pdf)

<sup>82</sup> European Commission Report on the protection and enforcement of intellectual property rights in third countries: [https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc\\_158561.pdf](https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158561.pdf)

<sup>83</sup> The full list of songs used for the musical number for the Independence Day of Ukraine – the Office of the President: <https://www.president.gov.ua/news/opublikovano-povnij-perelik-kompozicij-vikoristanih-pri-stvo-63077>

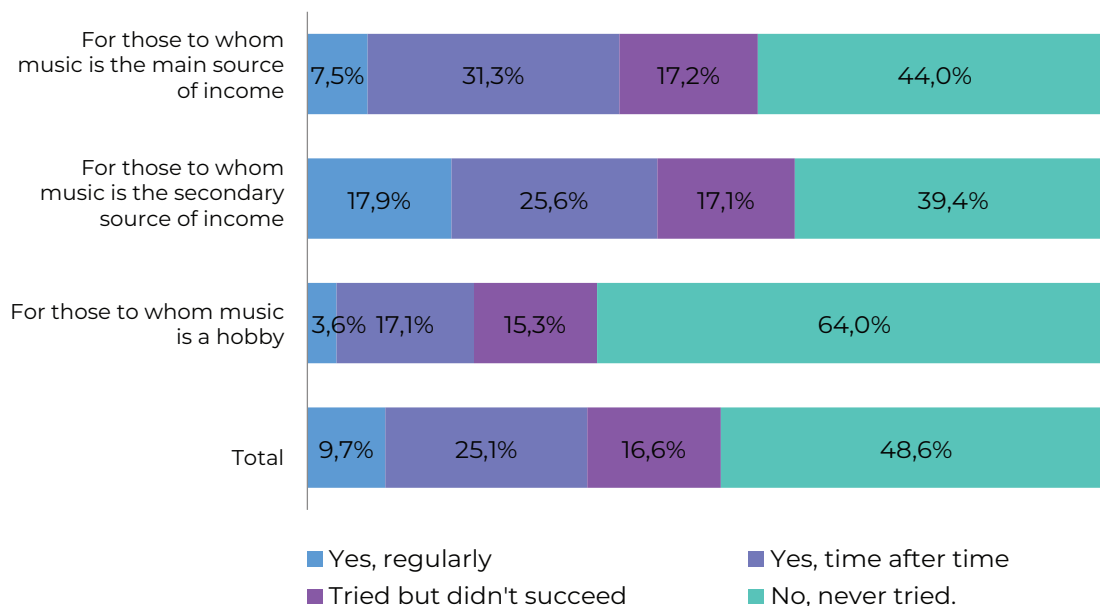


Fig. 2.20. Do authors/performers receive royalties for their work?

There are more than 250 collective management organizations in Europe: usually, there is one CMO per country representing all or some of the rights of right holders by category: CMO for authors, another one for recording producers, another one for audiovisual producers, performers, and so on<sup>84</sup>. Normally, they are part of the International Confederation of Societies of Authors and Composers (CISAC). Only one of the Ukrainian CMOs is a member of CISAC – the NGO Ukrainian Association of Copyright and Related rights.

As of August 2020, there are 17 CMOs in Ukraine. Under the new legislation, they are accredited in the relevant field on the principle of representativeness, and currently only four CMOs are accredited for related rights: Ukrainian League of Copyright

and Related Rights, Ukrainian Music Alliance, All-Ukrainian Copyright Agency, and the Coalition of Audiovisual and Music Rights. The accreditation process in two areas remains incomplete, because of lawsuits and restrictive measures due to the COVID-19 pandemic:

- public performance of non-dramatic musical works with and without lyrics, including those being part of audiovisual works;
- public performance of non-dramatic musical works with and without lyrics, including those being part of audiovisual works, except for cable retransmission.

Every year, collective management organizations in the EU collect about 6 billion euros. Most of the income comes from music - more than 80%<sup>85</sup>. Royalties as a

<sup>84</sup> Directive on collective management of copyright and related rights and multi-territorial licensing – frequently asked questions: [https://ec.europa.eu/commission/presscorner/detail/de/MEMO\\_14\\_79](https://ec.europa.eu/commission/presscorner/detail/de/MEMO_14_79)

<sup>85</sup> Directive on collective management of copyright and related rights and multi-territorial licensing – frequently asked questions: [https://ec.europa.eu/commission/presscorner/detail/de/MEMO\\_14\\_79](https://ec.europa.eu/commission/presscorner/detail/de/MEMO_14_79)

stable and passive income are a significant part of the income of European authors and performers: in Hungary, it's 26% and 19% in Slovakia<sup>86</sup>. As mentioned earlier, in the survey only 5.3% of respondents making money with music indicated royalties as a type of income. Calculating how much money CMOs in Ukraine really collect and pay (full market volume) is impossible due to a lack of full and transparent reports from all CMOs. According to official data and surveyed experts, 100 million hryvnias were collected in 2019. To compare, in Poland CISAC alone declares 112 million euro in fees<sup>87</sup>, which is over 32 times more. How much should be collected in Ukraine is also unclear, since the tariffs are still undefined. According to the same experts, at least ten times more. For example, according to a ULASP representative, a similar CMO in Poland has 127 thousand licensed facilities (restaurants, retail, services), of which about 90 thousand establishments paid their fees. In Ukraine, there are about 17 thousand licensed facilities (7.5 times less).

According to a representative of one of the CMOs, fees are currently low not only because consumers are reluctant to pay, but also because of the inefficient work of collective management organizations. Thus, there is barely a well-developed fee system, and

its creation and operation requires a lot of investments and time.

The authors manage their rights personally, through an attorney or through a CMO (in line with Art. 15 of the Law of Ukraine On Copyright and Related Rights). Obviously, no author is able to independently monitor the legitimacy of the use of his work, as this will distract him from the creative process. Third parties (attorneys) are also unlikely to deal with this task (unless it is the publishers to whom the authors transferred all their rights, and they became right owners), because intellectual property can be used anywhere in the world, and one person physically cannot control these processes. Under such circumstances, only professional associations like the CMOs can effectively track copyright infringement.

This is how royalty work: a CMO signs an agreement with a user, the user pays a fee for using the works, the CMO collects, distributes them, and pays the author and/or the right holder. Users include broadcast, television, cable operators, cafes, bars, retail and service establishments, gadget importers, and others. The right owner and/or the author must sign agreements with every accredited CMO in order to receive the full amount of fees from copyright and/or related rights.

<sup>86</sup> Daniel Antal (2019). Slovak Music Industry Report: [http://www.soza.sk/cms/content/files/Sprava\\_o\\_slovenskom\\_hudobnom\\_priemysle\\_marec2019.pdf](http://www.soza.sk/cms/content/files/Sprava_o_slovenskom_hudobnom_priemysle_marec2019.pdf)  
ano-povnij-perelik-kompozicij-vikoristanih-pri-stvo-63077

<sup>87</sup> CISAC global collections report 2019: <https://www.cisac.org/CISAC-University/Library/Global-Collections-Reports/Global-Collections-Report-2019>



The process of concluding the agreement is trustworthy and highly transparent, say CMO representatives. The agreement is concluded based on the results of negotiations in accordance with the established rate. Any copyright holder and/or author has the right to request information about all or some of the agreements concluded between a CMO and the users.

Like with any business, users strive to minimize their costs and either don't want to pay at all or do so at a minimum rate. Also, before the intellectual property law was reformed, many CMOs that existed then (and exist now) have dumped tariffs before collecting royalties. Then, they kept this money as "administration fee" without paying the authors. According to surveyed experts, users are used to paying little and do not care whether the author/performer receives adequate royalties.

All CMO directors with whom in-depth interviews were conducted confirmed: usually, CMOs are founded by publishers and recording companies who are also copyright and/or related rights owners. Authors can choose between personally managing their copyright and/or related rights or managing them through a publisher. In the US, the second way is more popular; in Europe, the share of direct agreements with authors is higher.

In Ukraine, authors don't show any desire to manage their rights personally. According to the director of one of the CMOs, over the past two years, they have

contacted most popular artists whose rights are managed by publishers to persuade them to sign right management agreements directly. None of the performers wanted to sign a direct agreement. Among the reasons are:

- Taxes and independent control over the use of collected funds accumulated at own enterprises (with the chosen system of taxation according to current legislation). Individual entrepreneurs pay 19.5% of taxes (18% of personal income tax and 1.5% of military tax) (the CMO is the tax agent). This is one of the reasons why most popular and highly lucrative artists have their own publishers registered as legal entities: Jamala with Enjoy! Records, Tina Karol with Dim Kultury (Дім культури), Potap (all his projects including Vremya u Steklo (Время и стекло)) with MOZGI, Okean Elzy (Океан Ельзи) and Svyatoslav Vakarchuk with Supersymetriya (Суперсиметрія) and others.

- Package agreement with the publisher. In addition to copyright and related rights management services, the publisher provides artists with other services like promotion.

- Low legal awareness and lack of the authors' motivation to understand most legal issues. Even for popular and performing authors, royalties and generally any income from public performance rights and replay, have always been quite insignificant compared to the income from live performances.



Which is why, barely anyone has thought about settling this issue at the appropriate level and transferred exclusive property copyright and/or related rights to the publisher to manage/own.

According to the director of the same CMO, when reforming the collective management market, they approached the authors directly to find out their vision of processes and which rules should be implemented for the authors to receive royalties as passive income for many years to come. Eight out of ten authors said that they don't care about royalties: they want to receive a fee for selling songs to performers, along with alienating property copyright to it, and that's it.

Of the revenue received from CMO users, 20% is withheld for collection and distribution, and sometimes an additional 5% "for combating negligent payers" (detection of violations (claims work) and lawsuits). This way, copyright holders and/or authors (but most often publishers) receive from a CMO 75-80% of the royalties paid by users. Out of this amount, publishers pay taxes (depends on the taxation system of their legal entities, starting from 15%), take their share for managing rights (depending on the terms of the agreement with the author/performer – Usually, it's another 20-40%, but the publisher's share can be smaller for bigger, more popular artists, and significantly bigger for smaller artists). Also, we should bear in mind that the funds accumulated on the publisher's account aren't the final amount

to be paid to an author/performer. There is also a tax take of 19.5% that a publisher as the tax agent of an author must retain when paying royalties. In the end, the author/performer will receive less than 50% of the money paid by users, collected by CMOs, and retained by publishers. This is the real reason why many artists rather create their own publishers and keep the maximum amount of royalties. According to one of the artists, their publisher did not report on the amount and the source of royalties. When the artist decided to terminate the agreement with said publisher and withdraw their works from their management, the publisher showed a much larger amount of fees in a different financial quarter. Another problem is that even if an artist decides to leave the publisher and sign a direct agreement with a CMO, the same publisher may be a co-founder of said CMO (even accredited under the new rules according to the law). And the CMO can provide the author with a report on royalty payments for the relevant period, in which the author would receive significantly less than when he had an agreement with the publisher.

The interviews conducted prove that it is the human factor that causes the most distrust in the process of collection and distribution of funds. NGO UACRR representatives say that they are working on software that would minimize or eliminate the human factor during distribution completely. To this day, this is a

semi-manual process in Ukraine. However, there's a fine point: according to a representative of a CMO accredited for collecting payments from restaurants, retail and service establishments, Ukrainian publishers are strongly against distributing money based on real reports from users. The reason is that most of the money would go to Western artists, as establishments normally play instrumental music or English songs.

Most rights holders consider royalty amounts to be very low, and CMO representatives acknowledge this and agree. However, they say it largely depends on how much users pay. As for live performances, performers sign rejection letters (more about this in the Live Music Industry section). Cable operators mark down subscriber numbers, broadcasters consider proposed tariffs too high, gadget importers refuse to pay. A CMO representative says that consumers will start paying royalties when it becomes more profitable for them to pay according to agreements than to pay fines. For instance, a CMO accredited for collecting fees from related rights records 500 violations per month in restaurants and retail and respectively files hundreds of lawsuits in court. An average lawsuit amount is 200,000 hryvnias, 70% of such lawsuits are successful. However, there's still the issue of enforcing the court rulings that came into effect and recovering fines.

To sum up, the market for

civilized collective management of copyright and/or related rights in Ukraine is still developing. And, according to interviewed experts, this process will continue for some time and will drag on due to lawsuits.

## Recommendations

- Updating specialized education: creating educational programs specially for musicians working with popular music, with due attention to basics of business and legal education.
- Completing reforms in collective management of copyright and related rights.
- Raising awareness of the need for legal music consumption and fighting piracy among consumers of musical content.
- Creating new conditions for state granting of authors/performers, taking into account the fact that most of them are not legally registered.
- Updating classes of economic activities, accentuating the music market.



III.

# Music Production



# Music Production in Ukraine: Structure and Development Challenges

Introducing a piece of music to a wide audience would be impossible without music production. According to the expert opinion of production specialists in Ukraine, it is both the most introverted part of creating music, and a link between numerous processes and players of the music market at the same time. Production is what helps ideas and music material to find expression in a particular recording adapted to different media and platforms for the listeners to use. This chapter will deal with the ways in which music production works in Ukraine, its key players and their roles in the value chain of a music product.

Music production does not exclusively cover creating music commissioned by participants of the music market, but also of related fields such as the film industry, advertising and media, the gaming industry. Since this study focuses on popular music, the authors paid special attention to the product used in the music industry.

The first chapter of this study illustrates the mapping of the popular music industry of Ukraine. Music production includes specialists like sound producers, arrangers, sound engineers, soundmen, vocal producers and coaches, as well as recording studios. In this industry structure, lyricists and composers are covered by the term music product and are described in great detail in the second chapter of the study. However, the main lineup of a collective, session musicians, vocalists, and other performers joining the recording of a piece of music (or its part) are part of music production. This chapter covers the activities of the six players who make for the larger part of the music production cycle and are featured in the corresponding part of the mapping.



The stages and mechanics of the production of a particular piece of music can vary depending on the production needs and the number of participants involved in the process. Based on the foundation of the Western experience<sup>88</sup> and opinions of Ukrainian experts, the generalized process of music production in Ukraine is illustrated below.

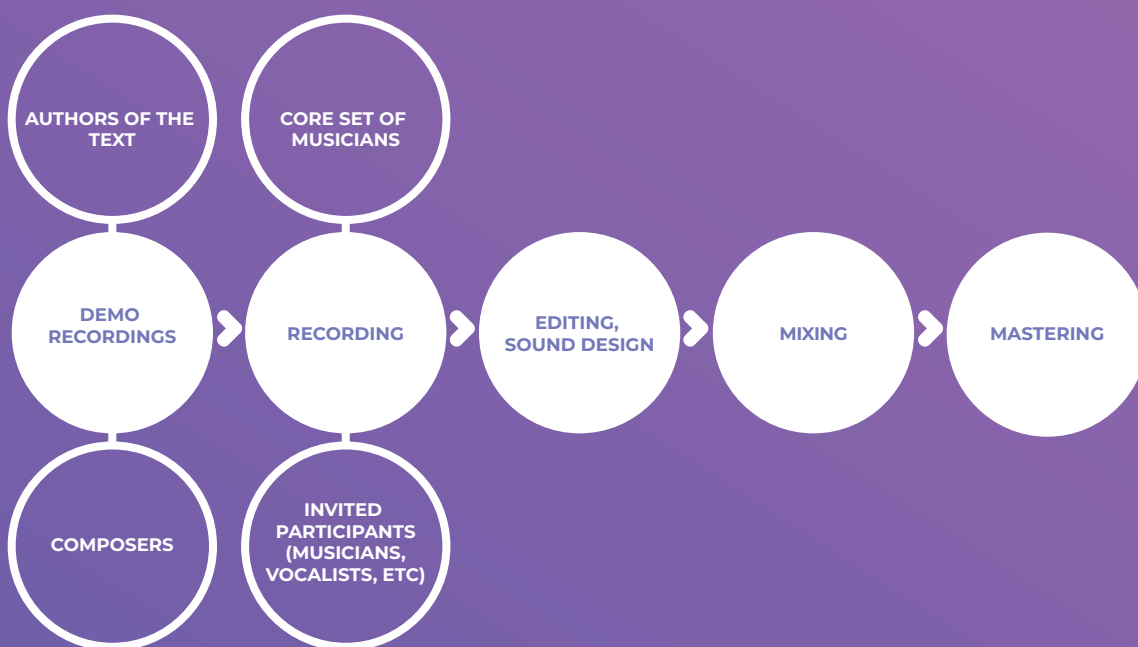


Fig. 3.1. Generalized mechanics of music production in Ukraine.

<sup>88</sup> Iconcollective.edu (2020). 5 stages of the music production process: <https://iconcollective.edu/music-production-process/>



## Functional Structure of Music Production in Ukraine

1. It's common practice that the role of the **sound engineer, the soundman, the sound producer, and sometimes even of the arranger is performed by one person**. More than a half of interviewed experts and focus group participants have experienced a situation like this. In particular, sound producer Artur Daniilian noted that this primarily due to the growing accessibility of both hardware and software. He believes that “these days, anyone who owns a laptop can become a sound producer”. In addition, the field’s experts attribute this situation to a lack of financing on the customer’s side (usually, artists) and the need for the specialists to cover all stages of music product creation. At the same time, sound producers believe that combining most parts of the cycle in one person isn’t ideal for achieving a high quality result.
2. **As a result, there is no strict division of functions between participants of music production**. Opinions of the focus group and in-depth interviews lead us to the conclusion that in the minds of the market participants the concepts of the soundman and the sound engineer often overlap. Which means that this person not only provides technical support during recording, but also edits and mixes the material. However, a sound producer is the key person who supervises all stages of music production and the work of everyone involved. Oftentimes, they have all the skills necessary to record, mix and master material, and are able to do it on their own.
3. **Misunderstandings with a customer ordering music production services often arise due to their lack of knowledge on the specifics of the process**. This has two consequences: Firstly, artists (who often act as customers) aren’t ready to pay separately for recording, mixing, and mastering. Secondly, artists increasingly use automated mastering services because they are cheaper and faster than those of a professional. One of the online platforms popular on the market that offers mastering services is Soundcloud<sup>89</sup>.
4. **Vocal production and vocal coaching** play an important role in the production of pop music, which is currently the most popular genre among Ukrainians<sup>90</sup>, and potentially generates the most profit. Therefore, these players were singled out as an independent group in music production in Ukraine. According to interviewed experts, many Ukrainian pop-stars hire vocal producers and coaches to work on vocal nuances of recording songs in English with a certain accent, to record jazz vocals, or to select backing vocalists. Even though they note that there are not many specialists in this field in Ukraine.

<sup>89</sup> Creators.soundcloud.com. Mastering on Soundcloud:  
<https://creators.soundcloud.com/mastering-on-soundcloud>

<sup>90</sup> Tophit.ua (2019). TopHit™ підбив підсумки 2018 музичного року України:  
<https://tophit.ua/en/news/view/show/23313>

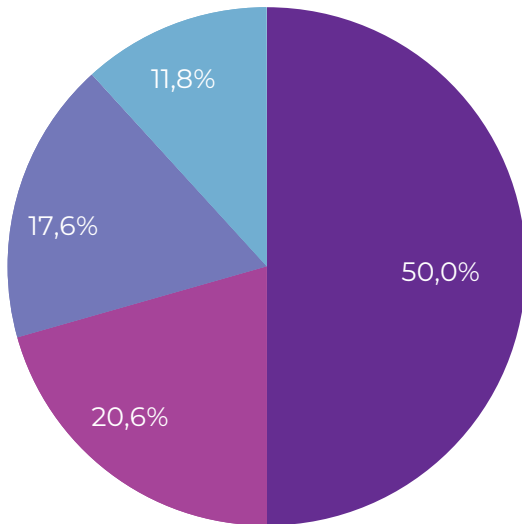
*In my field which is the pop industry, vocal production makes a lot of sense. However, sadly there aren't many specialists who could be called vocal producers. I can only name 2 or 3 people off the top of my head*

*Vadym Lysytsia, author, sound producer with FOXXSTUDIOS, Head of the Council of Performers and Rights Holders ULASP (Kyiv).*

5. **The role of recording studios as an individual element in music production is decreasing.** During the study period (the past 3.5 years) the demand for large recording studios has dropped, as artists (acting as customers) are more interested in specific sound producers rather than studios.

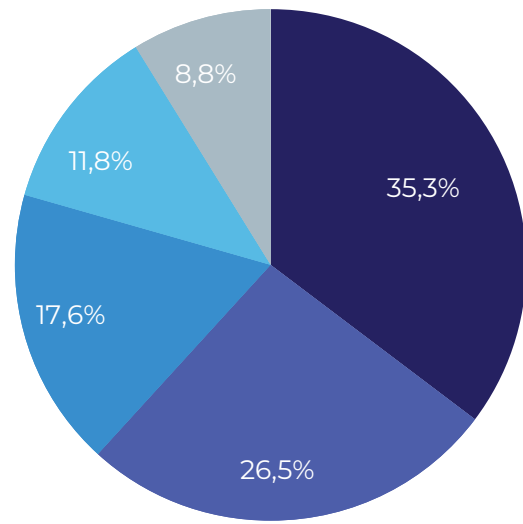
## Music Production Participants in Ukraine: Survey Results

As part of this study, Ukrainian music production specialists were asked to take a survey on their experience in the industry.



■ 26-35 years  
■ 18-25 years  
■ 36-45 years  
■ 46-55 years

Fig. 3.2. Age of music production specialists



■ 10-20 years  
■ 5-10 years  
■ 20+ years  
■ 1-3 years  
■ 3-5 years

Fig. 3.3. Years of experience of music production specialists

As you see in Fig. 3.2, exactly half of the specialists in music production are 26-35 years old, while no respondents are over the age of 55. One of the reasons may be the use of mainly online channels to promote the survey. At the same time, the largest share of respondents (35.3%) has 10-20 years of experience in the music market (see Fig. 3.3.), and 26.5% of respondents have 5-10 years of experience. Comparing the data of two diagrams, we can conclude that representatives of music production in Ukraine start their careers in the market at a young age, probably as students. The most active respondents come from Kyiv, counting up to 76.5% of those who filled out the questionnaire.

## The Role of Specialized Education in the Professional Development of Music Production Specialists

Specialized education in music production has different value to respondents, focus groups, and interviewed specialists. Respondents divided into two almost equal groups: 58.8% have a specialized music education, and 41.2% don't.

One half of those with a specialized education believe that it only partially meets the requirements of the music market (See Fig. 3.4).

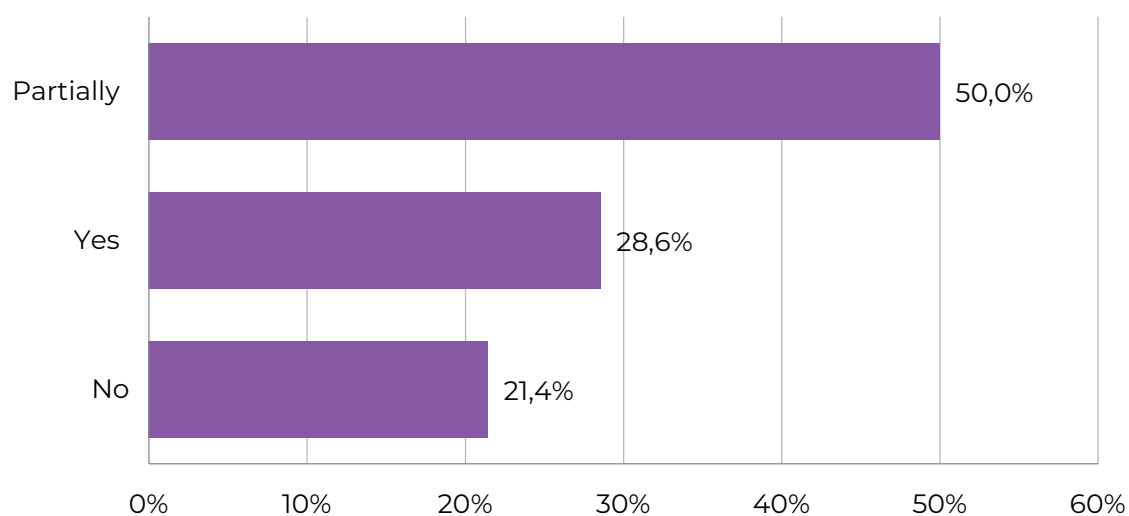


Fig. 3.4. The assessment of whether specialized education meets the requirements of the music market.

However, the most popular opinion is that informal education and self-education is more relevant to reaching professional success in music production than academic education. This became possible due to numerous accessible self-education tools: YouTube channels, specialized online-platforms, lectures and master classes, etc. Unlike academic education, informal education like this is more flexible and more relevant to the realities of music production in Ukraine, hence its popularity among aspiring sound producers.

Despite relatively low efficiency of formal higher music education in Ukraine, as seen by respondents, basic music literacy is vital to a successful start in music production. This can be learned at state or private music schools.

“  
There are two sides to sound production: technical and creative. The creative part has to do with music. Music isn't just intuition, but also certain laws of harmony, melody structure, and internal drama. This is what we can learn from the experience of previous generations

*Vlad Darvin, author and performer, sound producer (Kyiv).*

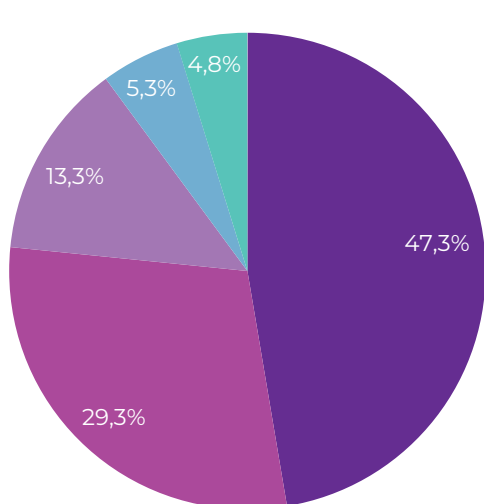
To effectively organize the production process, basic music education is important for artists as well. Sound producers deal with a lack of understanding of music terms and key concepts quite often. Usually, this leads to the production process becoming longer and more complicated for everyone involved. Most often, when a sound producer decides whether to take a job or not, the demo recording and its contents play the key role.

“  
The first thing I do when meeting an artist, I ask for the demo record. Without it, I don't even begin the conversation. I need to hear the genre, the song structure, and how the artist thinks. The most important thing I've learned from my experience is that if an artist doesn't have a demo, they aren't ready for a recording studio

*Serhii Liubinskyi, sound producer with the Revet Sound studio.*

## General evaluation of the contemporary state of music production in Kyiv, Kharkiv, Dnipro, Odesa, and Lviv

Based on the survey conducted among specialists in the music market, the sound recording infrastructure gets the most points. This was the only segment of the music industry proposed in the survey to not get the lowest mark Very Bad. Almost half of the respondents evaluated it as Good (47.3%), and almost one third (29.3%) evaluated the current state of music production as Adequate (See Fig. 3.5).



■ Good ■ Satisfactory ■ Wonderful ■ Unsatisfactory ■ No answer ■ Very bad

Fig. 3.5. Evaluation of the field of recording by representatives of the music industry

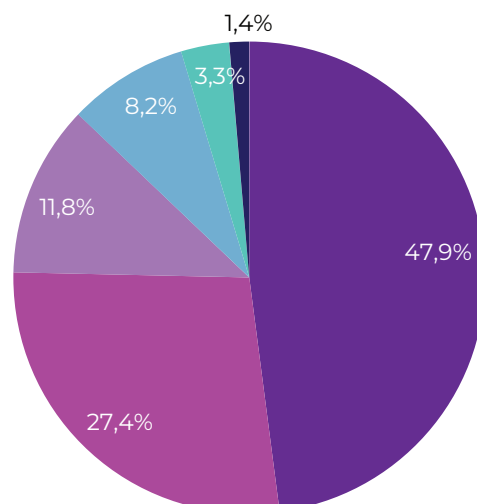


Fig. 3.6. Evaluation of the field of recording by authors and performers

It should be noted that the evaluation given to sound recording given by authors and performers lies within the same range: 48% of respondents evaluated it as Good, while 27.4% as Adequate (See Fig. 3.6).

These numbers prove that regardless of geography, the amount and the quality of music production services in Ukraine is at a relatively good level and meets the needs of the market. Again, this only confirms the declining demand for recording studios in favour of turning to particular professionals who can provide their services remotely from any city or country. However, the focus group as well as in-depth interviews revealed a certain centralization of music production specialists attracted to working in the capital. They speak of all large cities of Ukraine (in Lviv, Kharkiv, Odesa, and Dnipro in particular) having their professional communities, but the main pool of artists seeking to scale is located in Kyiv. Thus, no other city in the country can match the amount of music production entities in the capital.

“  
*My studio isn't anything special, but most of the top songs in our country are being created here. It's a question of location, budget, and business in general. I know a lot of great colleagues in other cities, but they don't earn as much as we do, they can't afford many things*

*Vadym Lysytsia, author, sound producer with FOXXSTUDIOS, Head of the Council of Performers and Rights Holders ULASP (Kyiv).*



## Commercial Component of Music Production: Trends of the Past 3 Years

The dynamics and the level of income in music production in Ukraine is affected by several macro- and microeconomic factors from the state regulation of all related fields to the level of responsibility of all participants of the economic and creative relations in the music market.

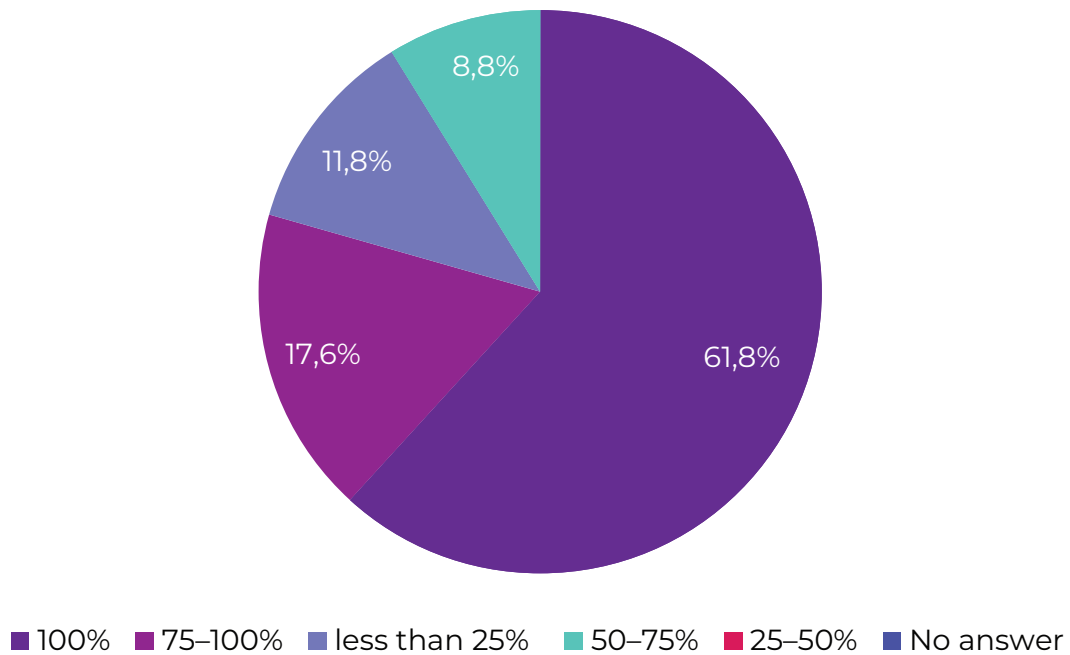


Fig. 3.7. The share music activities have in the total income of representatives of music production

According to the survey, more than half of respondents in the field of music production (61.8%) earn 100% of income with music (See Fig. 3.7). This is the highest percentage among respondents from all areas of the music ecosystem. Only 11.8% of respondents earn less than  $\frac{1}{4}$  of their income with music.

It's only consistent that more than half of respondents (61.6%) working in music production can cover their basic financial needs with their activities. But most of these people can only occasionally meet their needs in professional development.

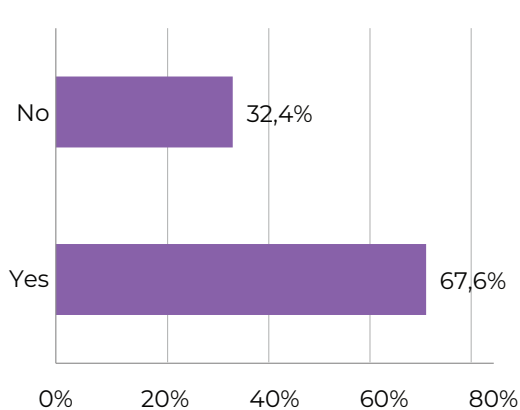


Fig. 3.8. Does the income satisfy basic needs of music production specialists?

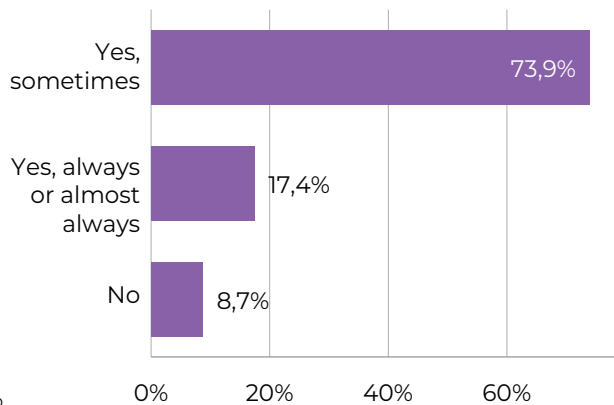


Fig. 3.9. Does the income satisfy the need in professional development of music production specialists? (Among those who answered Yes to the first question)

When taking a closer look at the commercial and legal aspects of music production in Ukraine, one should keep in mind that workload and principles in this market depend on **what goal a sound producer or studio has chosen.**

**Option №1.**

Working with indie/niche artists focusing on the creative component of the music product.

**Option №2.**

Working with pop-artists focusing on the business component of the music product.

**Option №3.**

Mixed style. Occurs rarely, since most market participants gravitate towards Options 1 or 2.

Due to differences in opinions and an insufficient number of respondents for a representative sample, it's difficult to reach an objective assessment of the principles underlying the music production market in Ukraine.

For sound producers working with independent artists, music is rarely the only source of income, because it rarely can cover their basic needs. This is mainly due to customers not being able to afford all stages of music production, or order a full cycle of master copy production less often. On the other hand, if they want to record material the sound producer finds interesting, it can be negotiated (discount, barter, installments, etc.).

This approach is less typical of the large-scale, business-oriented, and much desired market of pop-music, where the income from music production can cover the needs of its participants. Again, the paying capacity of customers is the reason – which in this case is higher than with niche genres.

*We have to understand that the market consists of only the largest players. To them it's indeed business, with teams, a serious strategic approach, and real investments. **5% of the largest players earn 80% of the money, if not more***

*Maks Ptashnyk, author, sound producer (Lviv).*

In order to achieve a certain level of income and stability in sound production, without engaging in other activities, music producers often diversify their sources of income with the help of:

- stock music platforms,
- writing music for advertising and audio branding,
- writing music for films.

*Collaborating with artists with no strong management or strategy is just temporary. As a musician, I find it interesting, but not as a businessman and tax payer*

*Mykhailo Oliinyk, sound producer with OLI Music (Lviv).*

## Pricing Principles in the Market of Music Production

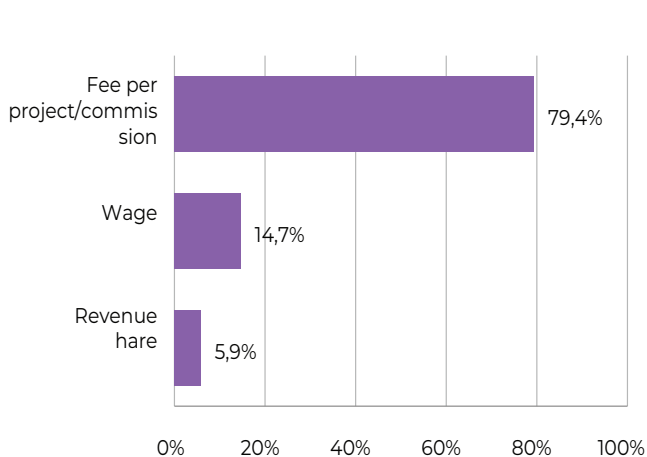


Fig. 3.10. Payment types in music production

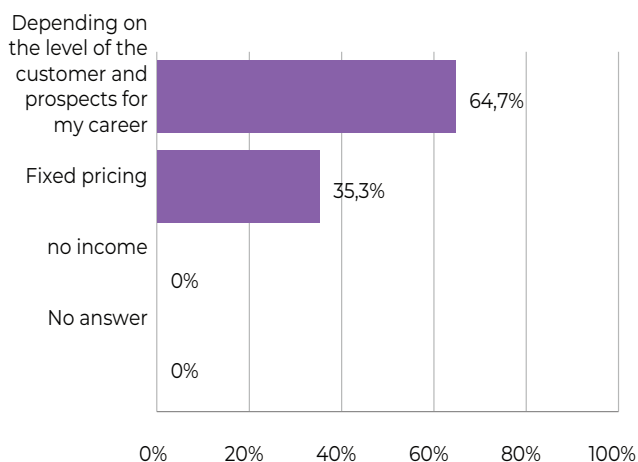


Fig. 3.11. Pricing principles in music production.

The most popular way to get paid in music production is by project or order. 79.4% of respondents of the questionnaire (See Fig. 3.10) and most participants of the focus group and the in-depth interviews are paid this way. This is due to unstable order numbers, complexity, and size in a year.

Pricing for music production services is situational and flexible rather than fixed. 64.7% of respondents vary their rates depending on the customer and growth perspectives (See Fig. 3.11). Almost half of this number (35.3% of respondents) have fixed rates.

Thus, **there are no pricing standards or a clear range of rates for sound production services in Ukraine.**

In addition, pricing services is often subjective. The most common principle is the following: the less liked is the customer, the higher the price. On the other hand, some services are being provided for free.

“  
I offer several standard packages with a flexible rate, rate by hour, and by project. Further on, these can be divided into three groups:

1. Good artist, nice person, and music that I like,
2. Good artist, but their music doesn't resonate immediately, and I need time to understand their work,
3. An artist that is a difficult person and hard to work with. This is essentially the most expensive option

*Chester Ivanena, chief soundman with On-Air Studio, founder of Free Bird Studio (Kharkiv).*

Lack of fixed rates on the music production market in Ukraine and subjective pricing allow its participants to regulate the workload by changing prices. Thus, according to the basic model of supply and demand, the number of incoming orders is inversely proportional to the pricing dynamics. Everything depends on the participant's priorities and growth vector.

“  
How can you get more work done at the studio? Lower the prices, and you'll get more orders. But I realized that I don't need that. I don't want all the money in the world. I want great projects, I want to work at my own pace, instead of trying to make bank

*Serhii Liubinskyi, sound producer with the Revet Sound studio.*

## Dynamics of Music Production Development In the Past Three Years

Before the quarantine (the effects of which will be reviewed below), music production in Ukraine hasn't experienced any significant highs or lows in the past three years.

According to the survey, the number of artists the respondents worked in 2017-2019 has barely changed. In this time, half of respondents worked with less than 20 artists each year. None of the respondents noted to have worked with more than 100 artists per year. Also, there were no respondents who had no commissions during a year.

Talking about income dynamics, most of the respondents in music production had an income within the range of 50,000-150,000 hryvnias per year. A slight growth of income

can be noted in these three years too: during this time, the percentage of earning 150,000-300,000 hryvnias per year has increased proportionally (for whom this is a positive trend).

According to sound production experts, during 2017-2019 two key commercial trends can be singled out.

1. Steady workload with increasing income due to a development of their own production services and a wider range of work.
2. Growing number of artists on the market and, consequently, the number of incoming orders for music production services.

## International Relations of Ukrainian Music Production

In the past years, international economic relations of the participants of the music production market have varied depending on their priorities and values. The number of sound producers openly working with Russian artists decreased significantly, considering the current geopolitical situation. For some it's a matter of principle, some simply don't speak openly about it. Others don't see this as a problem and continue regularly working with Russian customers, as nowadays music production can't exist independently and remotely. This explains the survey results according to which limited export and performances in Russia had no effect on most of the respondents (61.8%). However, we should take into account that part of the respondents have never gotten orders from the Russian Federation, and restrictions didn't affect them in any way.



## Legal Side of Music Production in Ukraine: Laws and Taxes, Rights and Royalties, Language Quotas

The main legislative documents that affect music production in Ukraine are the Tax Code of Ukraine<sup>91</sup>, The Civil Code of Ukraine<sup>92</sup>, The Laws of Ukraine On Copyright and Related Rights<sup>93</sup>, On Effective Management of Property Rights of Holders of the Copyright and (or) Related Rights<sup>94</sup>, On Television and Broadcasting<sup>95</sup>, On Touring Events In Ukraine<sup>96</sup>, On Collection and Accounting of the Single Contribution to Obligatory State Social Insurance<sup>97</sup>.

In terms of the legal aspect of music production, a phonogram<sup>98</sup> of individual instruments and vocals appears in the process, after which the material is being mixed. Further on, a master copy of a song adapted to different media and platforms appears as a result of mastering.

A basic understanding of legal terms and contents of documents crucial to providing production services is usually a big help to those willing to pay taxes in full and eager to get paid royalties in the future. According to the questionnaire filled out by music production specialists, the opinions on legal knowledge differ: 35.3% believe that their knowledge is sufficient, while the same number of respondents (35.3%) believe that their legal knowledge is rather insufficient (See Fig. 3.12).

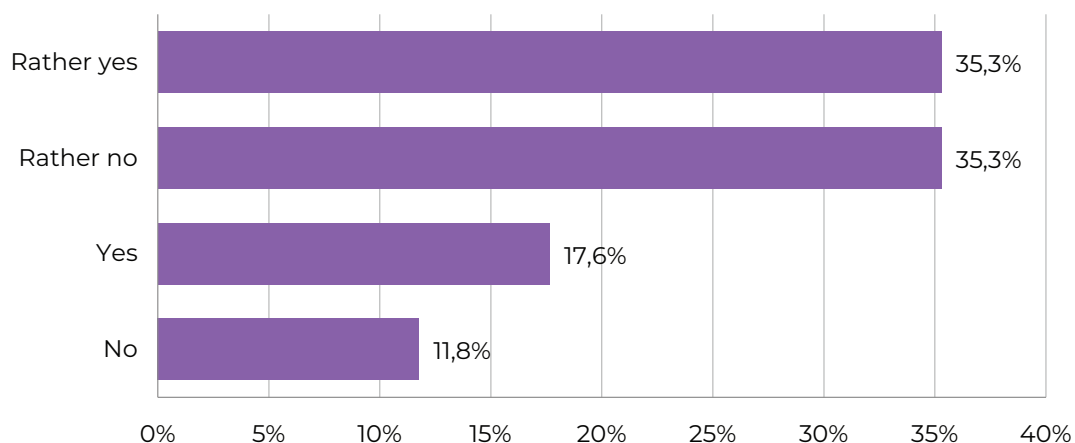


Fig. 3.12. The assessment of legal knowledge necessary for working with artists by representatives of music production

<sup>91</sup> The Tax Code of Ukraine: <https://zakon.rada.gov.ua/laws/show/2755-17>

<sup>92</sup> The Civil Code of Ukraine: <https://zakon.rada.gov.ua/laws/show/435-15#Text>

<sup>93</sup> The Law of Ukraine On Copyright and Related Rights: <https://zakon.rada.gov.ua/laws/show/3792-12#Text>

<sup>94</sup> The Law of Ukraine On Effective Management of Property Rights of Holders of the Copyright and (or) Related Rights: <https://zakon.rada.gov.ua/laws/show/2415-19#Text>

<sup>95</sup> The Law of Ukraine On Television and Broadcasting: <https://zakon.rada.gov.ua/laws/show/3759-12#Text>

<sup>96</sup> The Law of Ukraine On Touring Events In Ukraine: <https://zakon.rada.gov.ua/laws/show/1115-15#Text>

<sup>97</sup> The Law of Ukraine On Collection and Accounting of the Single Contribution to Obligatory State Social Insurance: <https://zakon.rada.gov.ua/laws/show/2464-17>

<sup>98</sup> The Law of Ukraine On Copyright and Related Rights, Section 43 of Article 1: <https://zakon.rada.gov.ua/laws/show/3792-12#Text>

Within this section of the study, three main levels of “legal maturity” of music production entities in Ukraine have been identified (See Fig. 3.13).

1. Legal registration of activities (Registered as businesses or remaining informally?).
2. Legal registration of relations with other music market participants (Whether payments for services are received officially)
3. Legal registration of copyright transfer (Are rights transferred to the customer or reserved for a future possibility to receive royalties?)



Fig. 3.13. Three levels of “legal maturity” of entities in music production of Ukraine

## Level 1. Legal Registration of Activities

Currently, the most common form of legal registration of music production activities is Sole Proprietorship (Individual Entrepreneur). However, **most respondents don't register their activities in any way, remaining informal (44.1%)**. This has been shown in Fig. 3.14.

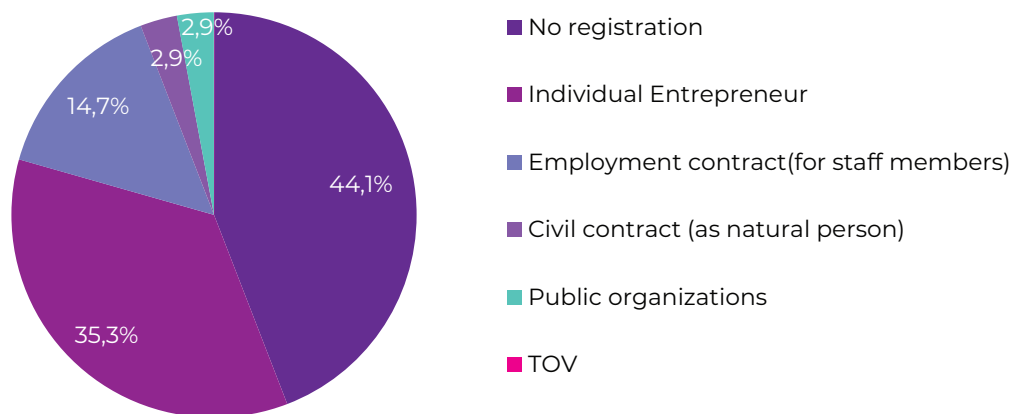


Fig. 3.14. Formats of registration of activities by representatives of music production

The third group (14.7%) are respondents who are officially staff members of an organization. Usually, only big players of the market start limited liability companies (ukr. TOV).

The reasons for not registering activities are different. The most popular answer is that this doesn't make economic sense to the respondents, or they find it unprofitable. From their point of view, the conditions for conducting legal activities often aren't ideal.

*I think that approximately 90% of the music production market remains informal*

*Vadym Lysytsia, author, sound producer with FOXXSTUDIOS, Head of the Council of Performers and Rights Holders ULASP (Kyiv).*

According to the Classifier of economic activities in 2010, most activities in music production fall under Class 59.20 Publication of sound recordings<sup>99</sup>. According to the 2005 Classifier, this type of activity corresponds to Class 22.14. Publication of sound recordings.

According the State Statistics Service of Ukraine, in 2019 a total of 80 (eighty) active entities was registered under Class 59.20<sup>100</sup>. Compared to 2017, this number grew by 20 (twenty) new enterprises within the two past years. Most of these entities are registered in Kyiv.

<sup>99</sup> State Statistics Service of Ukraine. 2010 Classifier. Class 59.20: [http://kved.ukrstat.gov.ua/KVED2010/59/KVED10\\_59\\_20.html](http://kved.ukrstat.gov.ua/KVED2010/59/KVED10_59_20.html)

<sup>100</sup> The State Statistics Service doesn't take into account the entities still registered under the 2005 Classifier (in particular, Class 22.14 Publication of sound recordings), which is why the given number only includes entities registered under the 2010 Classifier: Class 50.29 Publication of sound recordings.

It is worth mentioning that Class 59.20 not includes studio recording, mixing and mastering, but also publishing distribution of music recordings and sheet music. Thus, when considering the number of registered entities and tax payments under the class, we should keep in mind that this data covers activities of recording studios, soundmen, and sound producers, as well as those of labels, publishers, distributors, and many others. Which is why it's impossible to analyze the dynamics of tax payments coming solely from music production. On top of this, their activities belong to several classes depending on the specifics of an artist or specialist.

According to data provided by the State Statistics Service, during the past three years tax payments classified as Publication of sound recordings grew (See Fig. 2.15).

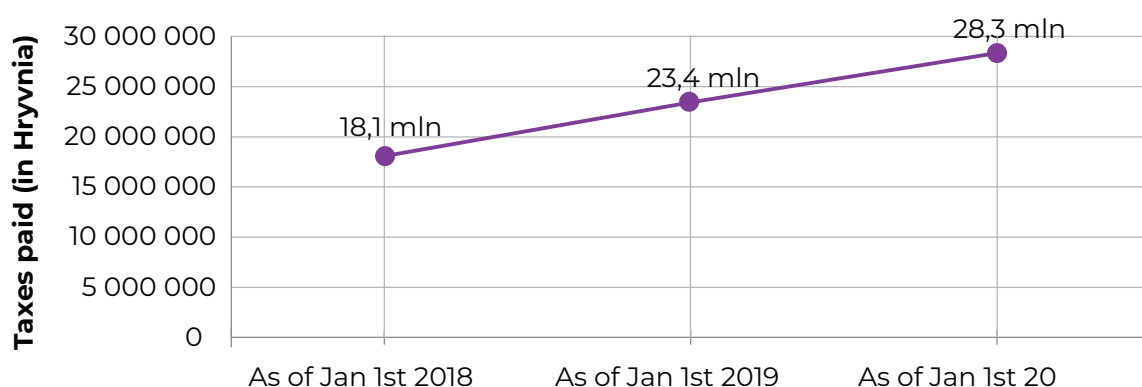


Fig. 2.15. The dynamics of tax payments for Classes 59.20 and 22.14 in Ukraine (2010). Compiled by based on data provided by the State Statistics Service

As of January 1st 2018 (i.e. for 2017) tax payments amounted to 18,084,840 hryvnias, and as of January 1st 2020 (i.e. for 2019) 28,338,010 hryvnias. Which means that businesses classified as Publication of sound recordings paid 1,57 times more taxes in 2019 than in 2017. This may be due to the fact that the number of officially registered active enterprises has grown, as did the monetization of activities, as noted by experts in this field.

Looking at the distribution of tax payments classified as Publication of sound recordings in five studied cities, we can see that the largest payer in the past three years was the capital. On average, it accounts for 85% of the total amount of taxes paid in Ukraine. This confirms the conclusion that **activities and financial flows in music production are concentrated in Kyiv**. When comparing the tax payment dynamics in other cities included into the study, it's clear that the amount of payments for Publication of sound recordings grew in two years in Kharkiv the most (408,500 hryvnias in 2019). Fig. 3.16 shows Dnipro in the second place with 257,240 hryvnias in 2019, and Lviv in the third place with a significant step up in taxes (147,300 hryvnias in 2019). Coming in last is Odesa with a negative dynamics in tax payments (64,820 hryvnias in 2019 compared to 69,480 hryvnias in 2017).

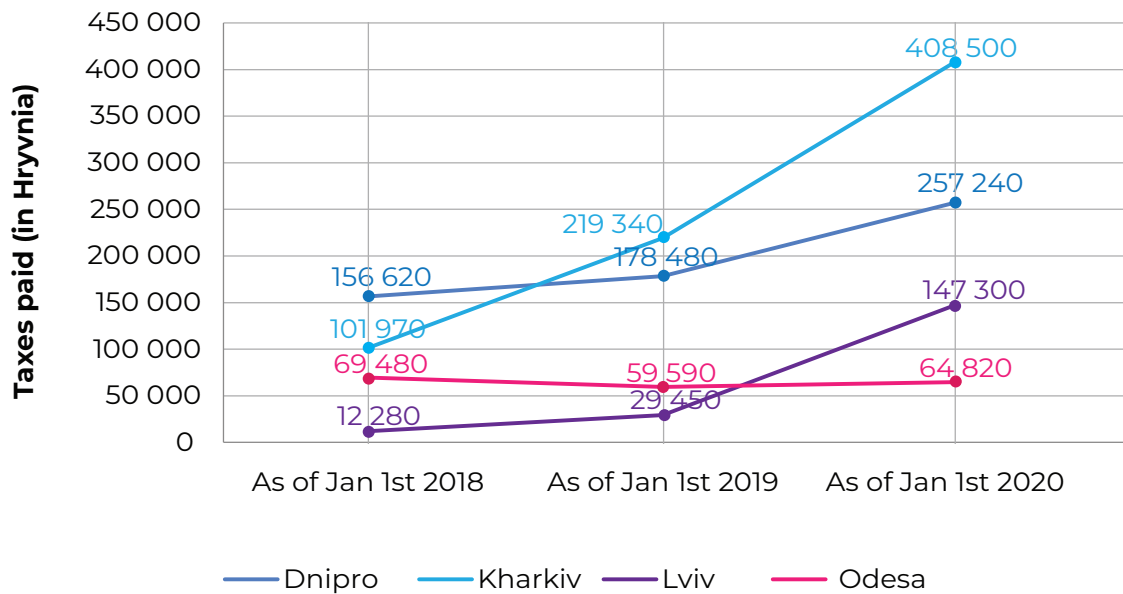


Fig. 3.16. The dynamics of taxes paid for Publication of sound recordings in Dnipro, Kharkiv, Lviv, and Odesa. Compiled by based on data provided by the State Statistics Service

## Level 2. Legal Registration of Relations With Other Market Participants

In Ukraine, legal registration of relations between artist (customer) and sound producer is more situational than systemic.

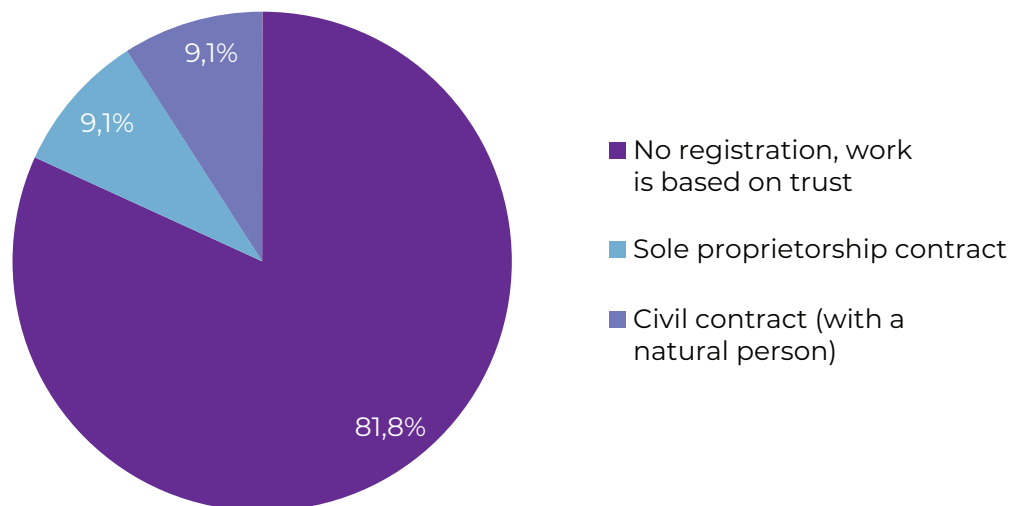


Fig. 3.17. Registration of relations with artists by music production specialists.

As we see in Fig. 3.17, the **vast majority of respondents in music production work on trust (81.8%)**. Currently, this type of relationship with artists is the most common.

In this regard, we have to take into account different approaches to legal issues in niche genres and in popular music. The more income an artist generates, the more popular they become (in Ukraine, it's usually pop-artists), the bigger the need to legalize activities, take care of the reputation, and protect the rights. Financial losses from ignoring legal requirements become significantly bigger.

*Different reasons push us towards signing a contract. Be it extensive work like albums, or sharing royalties for a song. That is, there's a possibility of working together in the future. If I see a person for the first and the last time, to be honest it doesn't matter how we collaborate*

*Misha Klymenko, sound producer, frontman of the band ADAM (Kyiv).*

Since music production in niche genres is usually less business-oriented and generates less income, its participants lack motivation to spend time, resources, and/or money on legal services. The same applies when it comes to illegal use of copyrighted materials: if the owners don't see any financial risks, they don't feel the need to react to their copyright or related rights being violated.

*So far, music is 90% a hobby for us. This is a huge problem, since we don't understand how we can earn good money. If we're trying to be professional in one field, we can't be amateurs in another. When everyone adheres to structured agreements, the music industry will grow, as will the level of expertise in other fields*

*Iurii Bulychov, soundman with the Module studio, known as musician Monotonne (Dnipro).*

Differences in opinions, “legal occasionality” of music production, and a high level of mutual distrust in the market are often explained with a **lack of a clear system** and rules for conducting business and paying taxes for each and every participant of the music industry.

### Level 3. Legal Registration of Copyright Transfer

In addition to spending a certain amount of working hours, sound producers or arrangers get the rights to the phonogram they've created. The rights the persons involved in creating a work of music get are shown in Fig. 3.18.

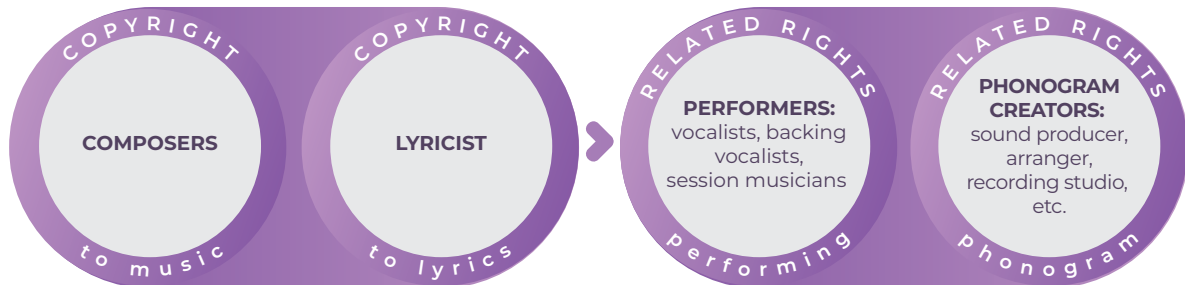


Fig. 3.18. A generalized scheme of rights arising in the process of music production

When addressing legal issues, we focused on those participants of music production who create phonograms and can claim their related rights. In Ukraine, the related rights of all intermediate participants of a phonogram creation (if, for example, both performers and arrangers are involved) belong to one person who collects the material and/or creates the final master copy of the track. This person is usually the sound producer.

Those participants of music production in Ukraine who legally transfer their rights proceed in **two main ways:**

- more common: **alienation of rights** in favour of the artist (customer) for a one-time fee;

- less common: **reservation of rights** and granting permission to the artist (customer) to use the phonogram at a certain percentage of royalties (determined by individual agreement).

Regardless of what approach is chosen, it should be correctly and clearly documented (in the contract), including the format and method in which the finished material is being transferred. If no contract is signed, the rights remain with their immediate owners (creators of the phonogram). In the future, they have a right to sell the phonogram again, or claim a certain percentage of the royalties for its use.



In an interview to SLUKH online-magazine<sup>101</sup>, *electronic musician and sound producer Maksym Sikalenko (Cape Cod)* notes:

*In Western countries, if you compose music for advertising, a TV-show, or a feature film, you get royalties for every public broadcast of the video on TV. This doesn't work in Ukraine, most of the time you transfer your rights on a turnkey basis.*

According to a study of the music market in Central and Eastern Europe<sup>102</sup>, the music industry in this region isn't developed enough for the participants to feel significant benefits from royalty payments (as opposed to, for example, the developed markets of the United States and the United Kingdom). Despite being part of this region, Ukraine wasn't included into the study, however, the situation here is quite similar.

*Working in this field since 2000, I'm used to artists coming to me with a bundle of US-dollars, but when the time comes to publish the song, they will come to you with a rights transfer agreement for some 30 hryvnias. And this is where it all ends*

*Artur Danielian, sound producer (Kyiv).*

In Ukraine, working for potential royalty payments isn't a common approach mainly due to:

- distrust of the ability of the existing system to protect the rights of phonogram producers and performers, and sometimes lack of knowledge about existing methods of rights management and rights protection;
- lack of long-term planning of activities: most sound producers believe that it's safer and more profitable to get paid today than give up the one-time fee to secure royalties in the future.

Therefore, **market participants do not believe that the resource invested in legal registration and support of their activities can pay off through royalty payments.**

However, after the focus group and the in-depth interviews we noticed a **tendency** towards a slowly but gradually **growing openness of market participants to formalizing economic and legal relations.**

*Right now, I'm transferring his share of related rights to the phonogram to the arranger and sound producer I work with. Normally, 50% of related rights to the phonogram I transfer to a partner that creates the sound for me. And they get their reward*

*Vlad Darvin, singer-songwriter, sound producer (Kyiv).*

<sup>101</sup> SLUKH (2020). How to create music for advertising: prices, deadlines, and constant edits: <https://slukh.media/texts/commercial-music/>

<sup>102</sup> Daniel Antal, CFA. Central And Eastern European Music Industry Report (2020), p.12-13: [http://ceereport2020.ceemid.eu/CEE\\_Report.pdf](http://ceereport2020.ceemid.eu/CEE_Report.pdf)

## CMO in the Legal Life of a Sound Producer

Artists in Ukraine don't manage related rights to phonograms and performances by themselves, they work with publishers and/or Organizations of Collective Management (CMO). If an artist doesn't own all rights to a phonogram (a master copy of a track, the rights to which are managed by a CMO on behalf of the artist, or alienated to a new owner – the publisher), they must inform said Organization about who owns which rights (for instance, a session musician owns their share of related rights to perform, or the sound producer owns their related rights to the phonogram). This way, as the rights owner, the relevant CMO and/or the publisher will understand how and among whom to divide royalties received for a certain song, based on signed contracts with authors/owners of property rights.

It is worth noting that royalties from related phonogram rights in Ukraine are usually lower than those from copyrights (to music and/or lyrics). This is due to the fact that they occur only during the use or replay of this particular phonogram (in various establishments, on streaming platforms, on radio/television, etc.) and do not occur during a live performance of the song, performance to a different accompaniment, etc. After all, related rights don't come from copyright and don't exist independently. Thus, in every

phonogram there are the copyright and related rights, but the copyright doesn't necessarily include related rights.

*We calculated the economic potential of Ukraine for the next five years. In the next two years, we can reach 10 million Euro – this is only the revenue for public replay, and only at ULASP. Based on the fact that today there are about 6 thousand contracts and 17.5 thousand locations. And this is only 15-20% of the Ukrainian market in general, even considering the pandemic.*

*Vadym Lysytsia, author, sound producer with FOXXSTUDIOS, Head of the Council of Performers and Rights Holders ULASP (Kyiv).*

A common practice in music production in Ukraine is using samples in creating a piece of music. Usually, it's used by sound producers who can afford resources to clear samples, i.e. to get a license for their use or purchase. Normally, this happens for a payment approved by the right holder (royalty and/or fixed lump-sum payment), for a certain period of time and territory and on terms, significant to signing such an agreement. There are also services<sup>103</sup> that help officially document sample use.

<sup>103</sup> Tracklib. The record store for sampling: <https://www.tracklib.com/>

*There's even a position, more common in the hip-hop industry: people who clear rights to samples used in writing tracks. Once, I tried to do it myself, and it's really expensive, the lawyers alone cost a fortune. The costs for one sample start at \$200*

*Artur Daniilian, sound producer (Kyiv).*

Some sound producers see a legislative problem in the fact that elements of a piece of music created by analog methods (beat, groove, etc.) aren't considered subject matter of copyright. Yet still they are included into the phonogram for which they can only get a percentage from related rights.

*The beat and the groove aren't legally registered, and not protected. This is a big problem. Music became more rhythmic and groove-oriented, they are indeed objects of copyright. But so far, we can count only on mechanical royalties for creating a phonogram*

*Artur Daniilian, sound producer (Kyiv).*

When speaking about the current state of the legal organization in music production, sound producers note that what Ukraine reflects processes in Europe and the rest of the world with a great delay (sometimes even decades). In

their opinion, a fair division of royalties between market participants could accelerate the development significantly. In turn, this directly depends on the transparency of organizations that will collect these rewards. It's the protection of the rights of specialists in sound production that can become an incentive for people to gradually move from alienating their rights to reserving them. Feeling mutual respect and support, music production specialists could more effectively convey consolidated opinions and issues of their field to the state.

## The Language Issue: Did Sound Production in Ukraine Change With the Introduction of Quotas?

Most specialists in music production who consistently work on the Ukrainian market mark an increasing demand for music content since the end of 2016. It's then that the Law of Ukraine On Amending Certain laws of Ukraine (Regarding the Share of Music Works in Ukrainian in Radio and Television Programs)<sup>104</sup> was adopted. Despite the increase in the number of Ukrainian-language songs on radio and television, music industry representatives note that the **quality of the music content has rather dropped due to the quotas**. This is due to the fact that the Ukrainian language has become the main criterion for selection, rather than quality or hit potential that are often overlooked.

*Programming directors say that there are very few hits among songs in Ukrainian that work equally good on the radio and online. But because of quotas, they have to add songs in Ukrainian into rotation, otherwise their license will be revoked. If you don't fall within the quota, you have to pay a fine*

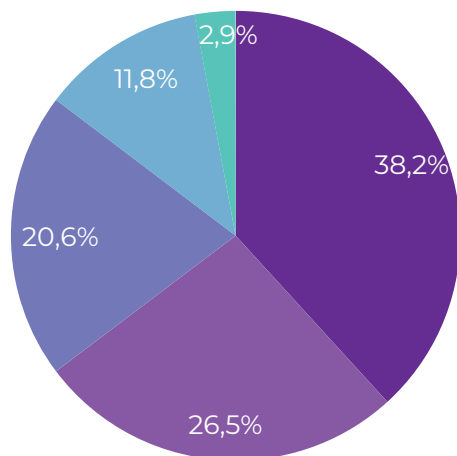
*Vlad Darvin, singer-songwriter, sound producer (Kyiv).*

Some experienced players in the Ukrainian music market point out that for some Ukrainian songs, it's as hard to become popular on radio or television as for those in Russian or English, even despite the quota support. Due to quotas, artists who weren't used to singing in Ukrainian started doing so, and many sound producers find that it has corrupted the quality of the content. Over time, it even caused a reverse effect of quotas: TV and radio audiences started noticing more content they didn't like. In the minds of consumers, this was sometimes perceived as an imposition, and therefore partially worsened the attitude of the masses towards Ukrainian products.

<sup>104</sup> The Law of Ukraine on Amending Certain Laws of Ukraine Regarding the Share of Music Works in Ukrainian in Radio and Television Programs: <https://zakon.rada.gov.ua/laws/show/1421-19#Text>

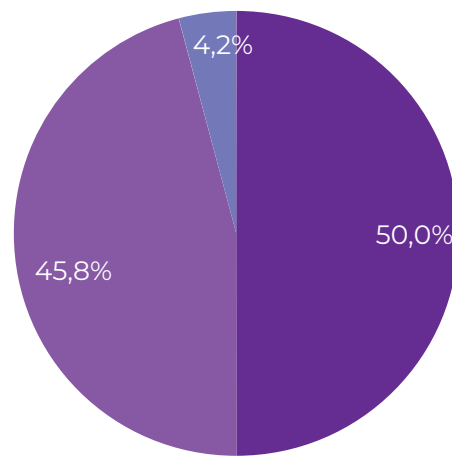
## How COVID-19 Affected Ukrainian Sound Production

As noted earlier, music production is a rather geographically independent activity, allowing to complete parts or the entire work remotely. Which is why it experienced minor losses due to quarantine when compared to other sectors of the music industry. However, sound producers are an integral part of the chain of creation of a work of music, and therefore depend on activities in related areas.



- 50,000-150,000 Hryvnia
- Under 20,000 Hryvnia
- 150,000-300,000 Hryvnia
- 20,000-50,000 Hryvnia
- No changes

Fig. 3.19. Unearned profit of music production representatives in March-June 2020



- 0
- under 5
- 5-10

Fig. 3.20. Number of employees in a team/organization under the threat of dismissal or already dismissed due to quarantine

According to the survey, the unearned profit during March-June 2020 of 38.2% of respondents lies in the range of 50,000-150,000 hryvnias. At the same time, 26.5% of respondents lost about 20,000-50,000 hryvnias due to quarantine, and 20.6% of representatives of music production lost up to 20,000 hryvnias. The income of 1/10 of the respondents didn't change during the quarantine. Despite certain financial losses, no one has been laid off in organizations of half of the respondents, while in half of the rest up to five employees are under threat of being let go.

The moderate decrease in workload in music production can be explained by the fact that artists weren't allowed to perform, and most of them focused on writing and producing new music.

According to the State Tax Service, for the first quarter of 2020 8,560,670 hryvnias were paid in taxes throughout Ukraine for Publication of sound recordings (Class 22.14 according to the 2005 Classifier, or 59.20 according to the 2010 Classifier). At the same time, for the second quarter, which coincided entirely with the quarantine, 5,844,600 hryvnias in taxes was paid for the same economic activity. This is 32% less than during the previous pre-quarantine quarter, which shows a decrease in activities related to Publication of sound recordings by one third.

Nevertheless, the quarantine inspired some music production specialists to diversify their activities in related fields (such as film production, commercial video production, etc.), or shift their focus to these fields entirely.

*I think that the quarantine will have a positive effect on the industry. Weak players will be eliminated, while strong ones will remain, thinking of how to actually earn their living. They will think about management, strategies, and business models. This will make everyone stronger.*

*Mykhaylo Oliynyk, sound producer with the OLI Music studio (Lviv).*



## Recommendations

- Supporting the creation of inter-sectoral music platforms for representatives of popular music such as sound producers and artists of different styles and approaches to get together and exchange experiences. Improving geographic diversity of such initiatives to decentralize the field of music production and develop local music infrastructure and communities.
- Starting new accessible national and international educational programs for representatives of Ukrainian music production of different specialities.
- Adapting the soundmen curriculum of state universities to current requirements of music production in Ukraine and providing relevant internships for students.
- Updating the Classifier of economic activities according to the needs of the music industry. In particular, separating recording studios and phonogram producers from publishers and labels (and their definition as such) for a more transparent account of businesses and their activities.
- Developing a clear system for registering activities and tax payments by all players of the music industry that will fit the Ukrainian realities. Ensuring transparent implementation control (penalties and benefits).
- Regulating the work of CMOs for copyright and related rights, properly controlling their activities. Distributing royalties for using copyrighted material fairly and transparently, which will encourage people working in music production to operate legally and think more strategically.







# Case study

## The Sound of Morphom

Persistence and access to the Internet, this is what Roman Cherenov needed to become a successful sound producer, better known as Morphom. He works with many top artists in Ukraine, and his collaboration with Jerry Heil on #OXPAHA\_OTMEHA (#OKHRANA OTMENA) has gone truly viral: the video has now about 16.8 million views on YouTube<sup>105</sup>.

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<sup>105</sup> Youtube. Jerry Heil - #OXPAHA\_OTMEHA (LYRIC VIDEO): <https://www.youtube.com/watch?v=x05Z6SjLZFO>

Roman's only formal art education is a music school, which he graduated from in his native town Kovel (Volyn Oblast). He has been living in Kyiv for about 20 years, for 10 of which he's been earning his living exclusively with music. Morphom's typical approach is collaborations with different artists. In particular, Roman has collaborations with The Maneken, Pur:Pur, Pianoboy, Vivienne Mort, LAUD, bands Panivalkova and Агонь (Agon'). He recorded the track Більше ("Bilshe") with Jamala, and later performed with her at the Eurovision Song Contest 2017 with his own arrangement of the ethno song Заманили ("Zamanyly"). At the same time, Roman continues to release solo tracks and work as a sound producer (in particular on some songs by Olya Polyakova, Zlata Ognevich, Constantine, etc.).

## Own Recording Studio in the Capital: Where It All Began

To fulfil his potential in music production, persistence and Internet access was all Roman Cherenov needed:

*When it comes to education, it's definitely YouTube. That's where I got 90% of the skills and knowledge I use in my profession<sup>106</sup>.*

Roman's first job in music was soundman. A persistent search for a new job led him to the Pilot TV-studio and the Baker Street music production company. Later, after becoming a sound producer, he was based in various private studios, but in 2016 he decided to create his own workspace.

Roman invested over 340,000 hryvnias in the launch of his studio. Most of the money was spent on equipment, which requires yearly updates worth approx. 50,000 hryvnias. Inevitable costs amount yearly to almost 200,000 hryvnias (144,000 hryvnias per year for space rental + 55,000 hryvnias per year for equipment updates).

Today, Morphom's studio is both his office and platform for creativity. Roman collaborates with an average of five artists a year. He simultaneously creates 2-4 tracks per month and mostly provides the customer with the entire music production cycle by himself.

### Creativity vs Commerce

Today, Morphom's main source of income is sound production, namely collaboration with artists. He likes it much more than creating music for films or commercials. Roman has extensive experience working with such commercial projects, but according to him, there is no music left in the chain of approvals, various comments, and edits.

*If I do appear in advertising, it is only if the client wants not just music, but they need a point of view. [...] You can turn to me when you trust me completely, and then you get exactly what you need from the first time. This is my strategy.*

<sup>106</sup> Hroniky.com. Roman Cherenov from Kovel, founder of Morphom: <http://www.hroniky.com/news/view/11410-kovelchanyyn-roman-cherenov-zasnovnyk-proektu-morphom>

Roman considers collaborating with the Pepsi on the FUZZ<sup>107</sup> project in 2017 to be an interesting and instructive experience. For all participants, it was an unusual creative experiment that resulted in joint tracks “На Вершині” (Na Vershyni) with Pianoboy, Zustrich (Зустріч) with Vivienne Mort, and “Провоцируй” (Provotsyruy) with the band Агонь (Agon).

*For me, the project with Pepsi was primarily about creativity, I did not think about anything else. It defended my reputation as a sound producer, and in terms of public relations it was a great leap forward. Although I undervalued myself financially, I gained invaluable experience working with the brand, with budgets and long-term planning. I would love to participate in such projects again*

As for working with films or TV shows, the main difficulty according to Roman Cherenov is that you have no way of knowing the quality of the end result. He admits to having created the sound for projects he felt ashamed about when they got to the screen. And yet, the recent works of the sound producer include music for a series with the working title There Will Be People which airs on Ukrainian television in the fall of 2020. According to Roman, he was interested in the overall concept, the script, and first cut.

### **A Team as an Obligatory Element of Music Project Development**

For many years, Roman Cherenov was responsible for all managerial issues by himself, even though he admits to not being business-oriented in his activities. However, for effective future development of the Morphom project, Roman plans on finding people who would help with contractual and organizational issues:

*I don't fight with artists over rates, negotiate. It reminds me of a market chaffer and has nothing to do with music. Neither the artist or the sound producer are supposed to do this. It's cool when competent managers can handle this*

His plans for the nearest future include hiring a lawyer who would handle the affairs of the Morphom project on a regular basis for a certain percentage of the income. According to Roman, he regularly receives royalty payments for his work. For instance, he has a share of

<sup>107</sup> Pepsi. FUZZ: <http://fuzz.pepsi.ua/>

related rights on songs he produces for Jerry Heil. The communication concerning the legal aspect of her material mostly goes through her producer's agency Secret Service Entertainment. At the same time, Roman admits that he regularly sees his music being used illegally, but does not believe that the current system of copyright and related rights protection in Ukraine can solve this problem:

*If five years ago it was just music, now it's partner relationships with artists. For instance, they monetize their music in ten different ways, from which I get my share: different integrations, participating in advertising, streamings, synchronization in films etc.. It's impossible to track everything without a lawyer, and meanwhile I'm losing my money*

## Diversification of Activities: 2 New Projects by Morphom

During the first half of 2020, Roman Cherenov not only actively produced new tracks, but also generated ideas for new projects that bring together creativity, education, entertainment, and professional development.

### Project 1. At the Studio with Morphom

An entertaining and educational live show on Morphom's YouTube-channel, in which Roman reveals the secrets of the creative process and the interaction between sound producer and artist. The task is to create a song and its full music production within 1.5 hours. Cherenov will invite artists with whom he will go from demo record to end result in up to 90 minutes.

As of August 2020, the first episode of the show was released with Lviv musician Maks Ptashnyk. The plan is to release one video each week, but a temporary break was necessary to find new partners to ensure sustainability and consistency. The goal of the project<sup>108</sup> is to introduce aspiring artists and sound producers to the culture of music production, and to show them that music isn't as complicated:

*I'm not worried, my expectations line up with my ambitions. It turns out that you can get incredible pleasure from sharing valuable things with people around you<sup>109</sup>.*

<sup>108</sup> Facebook. Morphom. When Artist meets Producer:  
<https://www.facebook.com/morphommusic/posts/3143644359016977>

<sup>109</sup> Facebook. Morphom. My new show starts this Monday!  
<https://www.facebook.com/morphommusic/posts/31383626211817>

## Project 2. Creating an Educational Networking Platform for Sound Producers

The starting concept is as follows:

- Morphom holds three workshop-style lectures for 10 sound producers;
- One artist gets 10 arrangement versions of their track created by workshop participants as homework;
- The artist chooses one sound producer to either work together in the future or buy/transfer rights to the track created during the workshop.

*On one hand, this project is about a group of people looking for the Golden ticket to the world of sound producers. On the other, there are artists who record great demos, but can't find music production specialists on their own. These two continents are actually very much looking for each other. But they don't stand a chance, since they don't know how everything works. This system needs a beacon, a moderator*

Roman Cherenov aims to become this beacon in the ocean of the Ukrainian music industry. He wants to give as many people as possible a chance to start a career in show business. The monetization of the project will depend on fixed market prices for coaching. Roman plans to launch it in the fall of 2020.

Cherenov sees no connection between new educational initiatives and rethinking of his activities during quarantine. He's convinced that this development of him as a specialist is only logical in the times when music became very simple, and there's a lot of it in the world, so much so that it has become like fast food, and the role of the sound producer is becoming less noticeable.

*Twenty years ago, there were, for example, 30 sound producers in Ukraine. Ten years ago, there were 300, and now there's, say, 3,000. I'm not fighting against more disposable music fast food. A metal stops being precious, when there's a lot of it. In this system, it's not the ability to make music that is important, but the ability to pass on your knowledge to others, to create a concept that will allow fast food to grow further. This is, in fact, my motivation*











IV.

# Music Management

## Defining the Term Music Manager

Traditionally, any artist's career is closely related to not only creativity but also business. At this stage, it is a music manager who becomes the driving force of a project while turning artists' creativity and enthusiasm into a systemic business. In Ukraine, the term music manager is rather vague and varies between underground music and mainstream.

Generally, a manager deals with the commercial part of a music project while helping the artist to make the right decisions affecting their career. However, depending on personal arrangements with the artist, a manager can perform the function of a PR-manager, promoter, designer, accountant, and even of a personal assistant. The scope and nature of a

manager's tasks often increase proportionally to the development of the artist's career.

Another common term in Ukraine is music producer<sup>110</sup> – such a person is considered an expert who not only administers the artist, but also determines their position in the market and their career strategy and can invest in their development. With such expertise, a music producer is often able to scale their activities by starting their own business. It can be a full-cycle company, a music label, or a producer's center<sup>111</sup>.

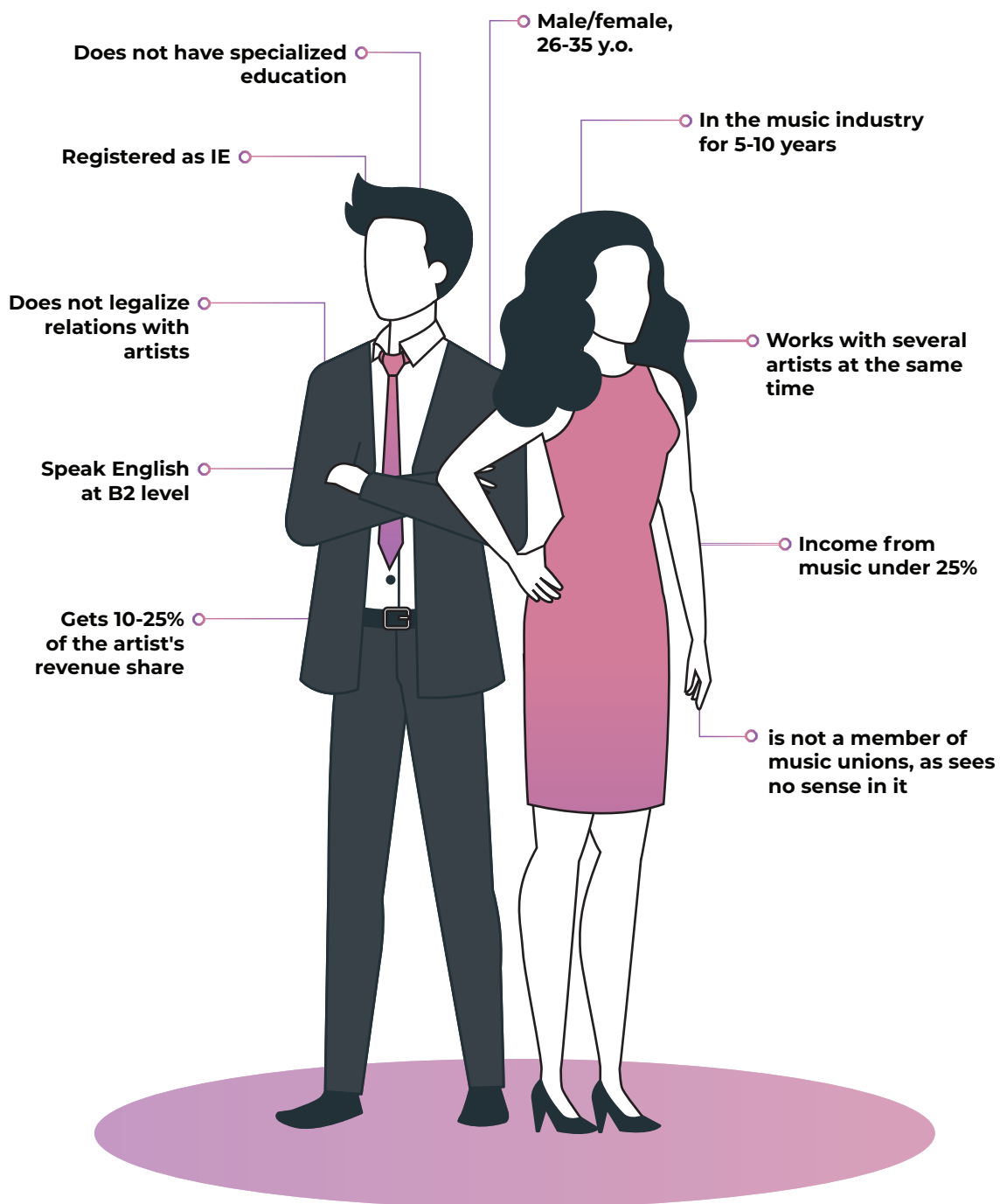
Within this research, the term music manager means an independent specialist/company representative whose activities are aimed at managing an artist's career growth.

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<sup>110</sup> There are problems with interpreting English terms. For example, the role of music producer is often associated with music management rather than sound production.

<sup>111</sup> By their name, producer's centers compare to foreign music production companies (organizations specializing in music creation) but perform purely management functions like foreign artist management companies (organizations managing various aspects of artists' careers). In Ukraine, production companies mainly deal with mainstream music.

# Portrait of an Average Music Manager



## Detailed portrait of a Music Manager

Ukrainian music management is a young business. According to this study, on average, most respondents are aged 26-35 and have a work experience of 5-10 years, but there is a significant share of those who are just starting their careers in music and have worked for only 1-3 years.

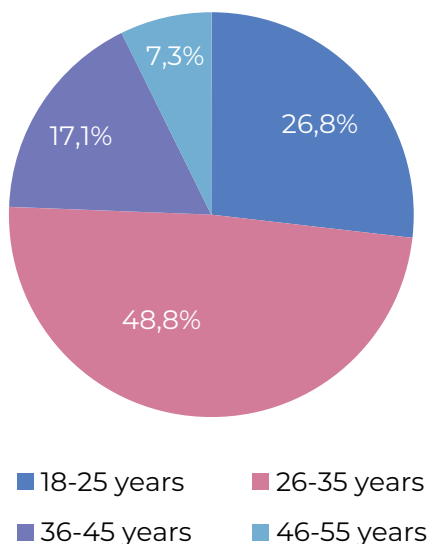


Fig. 4.1. Share of managers by age groups

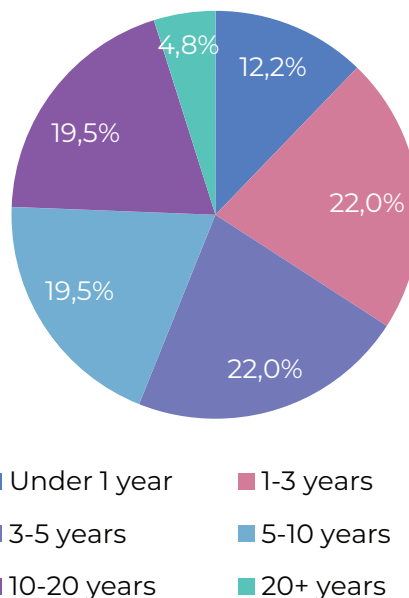


Fig. 4.2. Share of managers by work experience

It is possible to assume that young managers continuously join the industry to fulfill their ambitions. As they want to develop, they transfer the skills and knowledge they acquired in areas where they worked before (copywriting, SMM, video production, etc.) to the field of music. Such an approach is believed to have a positive effect on the speed of entry of new professionals into the market.

*I came to the conclusion that it is easier for me to hire a person from systemic business and teach them principles of music than hire a music lover living a bohemian creative life and integrate them into office work.*

*Sasha Varenysia. PR agency Много Воды (Много Воды)*

## Legal Registration of Activities. Financial Aspects

During the study, more than a half of surveyed managers (58.5%), said they were registered as individual entrepreneurs; 34.1% of respondents do not register their activities explaining that they do not see any sense in registration or consider it economically unprofitable.

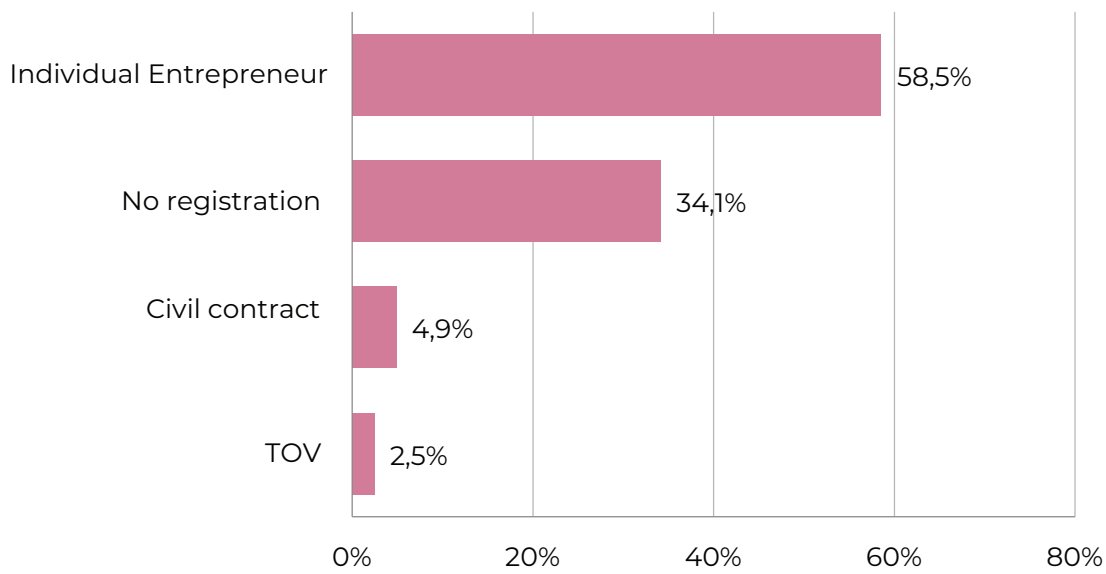


Fig. 4.3. Legal registration of managerial activities

Lack of legal registration of activities should be considered in the context of the income received by managers. For 39.0% of respondents, these earnings make up only a quarter of their annual income and do not satisfy even basic needs.

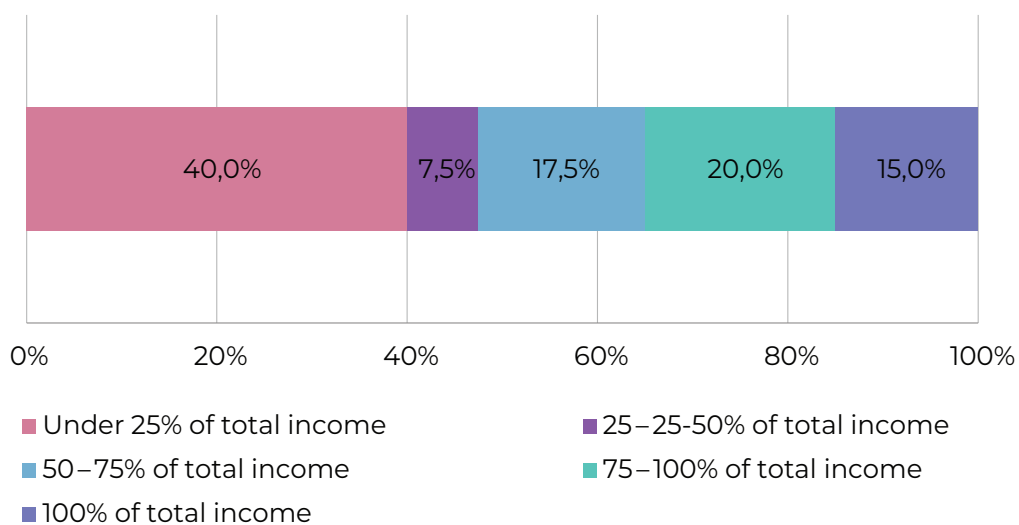


Fig. 4.4. The share of managers' annual income received from professional activities



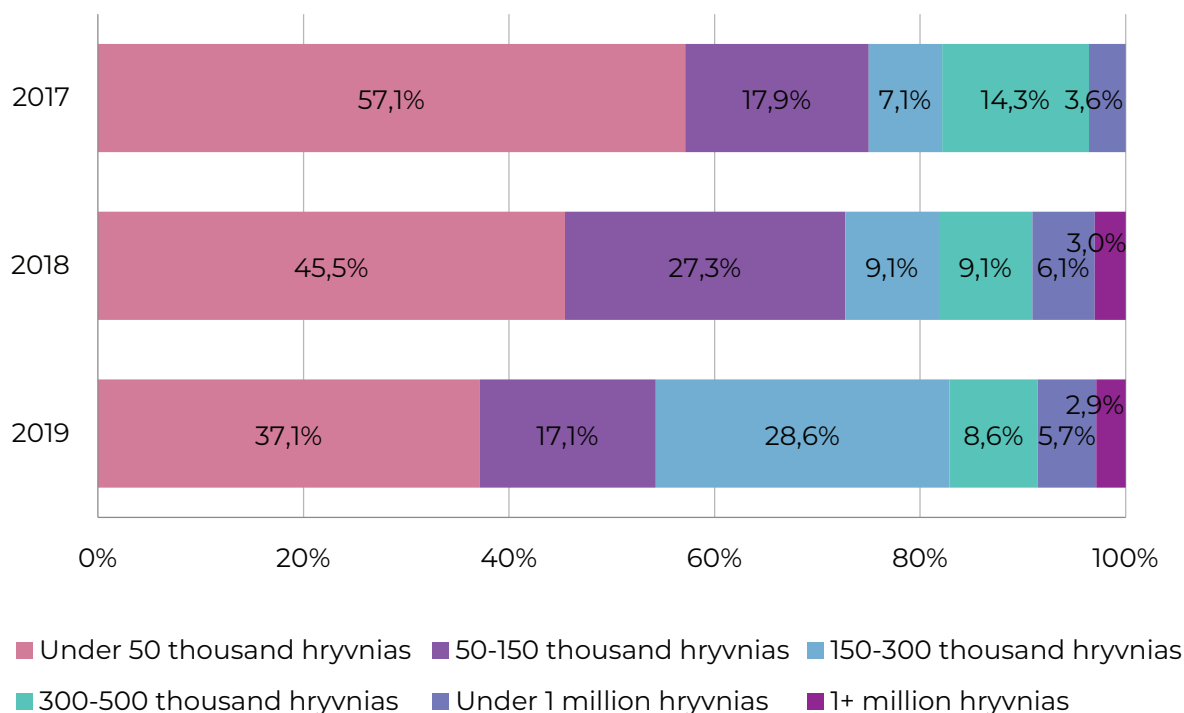


Fig. 4.5. The amount of managers' annual income received from professional activities

The dynamics of annual income shows that the share of those receiving less than 50,000 hryvnias per year, although slightly decreased, still remains significant (graphs do not reflect the state of the music market in 2020 when the COVID-19 pandemic significantly reduced the number of concerts).

Thus, some managers are forced to combine work in the music industry with work in other areas. This, in turn, has a number of consequences: reduced quality of work, a less systematic approach, time constraints, and readiness to leave music management at any time.

In fact, this means that a significant share of managers do not perceive their work as one that financially satisfies them and makes them want to develop professionally. Naturally, such a situation does not support the development of the music industry.

## Working With Artists

When managers were asked whether they legally formalized their work with artists, 65.9% answered that they did not register it in any way because their cooperation is trust-based. 4.9% indicated that they use different options depending on the situation.

This gives reason to talk about the lack of legalized labor relations and cash flow with no tax payments, which confirms the existence of informal business.

However, when reaching a certain level of popularity, a significant number of Ukrainian artists are interested in doing business legally, which significantly expands work opportunities and creates more comfortable working conditions.

*I support standards and consistency. We have established a limited liability company, and I am one of its founders. All the musicians are transparently registered and get salary.*

*Oleh Khodachuk, general manager of the band Bez Obmezhen (Без Обмежень).*

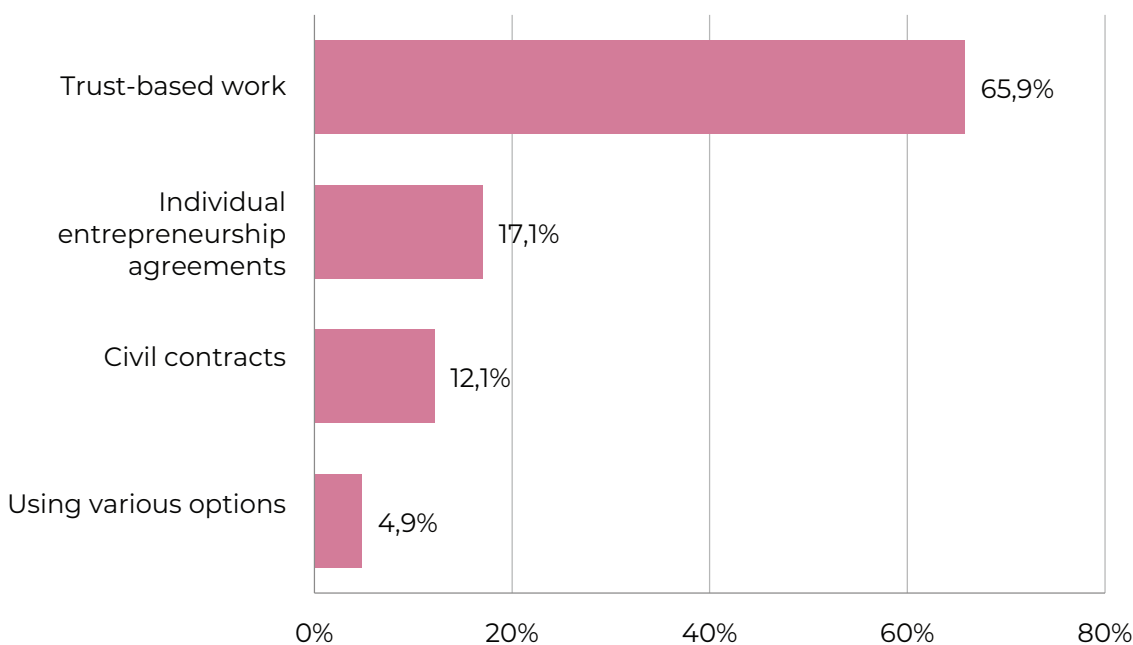


Fig. 4.6. Forms of legal registration of relations between artists and managers

*I have personal agreements with the general manager and the artist. The artist has signed a contract with the general manager. The general manager hires a team for the artist, but the three of us act as partners. This is fixed in our agreements.*

*Tetiana Papuha, manager of Alyona Alyona.*

When they agree to work together, the manager and the artist usually try to discuss the terms of their work, determine the strategic vision of the artist's development, and approve financial liabilities. Indicators of successful work include audience growth, number of tickets sold for the concerts, fee amount offered to the artist for their performance, advertisers' interest, and the like. If these indicators do not improve, the manager changes their strategy or terminates their work with the artist.

65% of surveyed managers stated that they receive their income as a revenue share, while 22.5% get a project fee. In general, the forms of financial settlements between the artist and the manager are not strictly standardized and depend on the scope of work and personal arrangements.

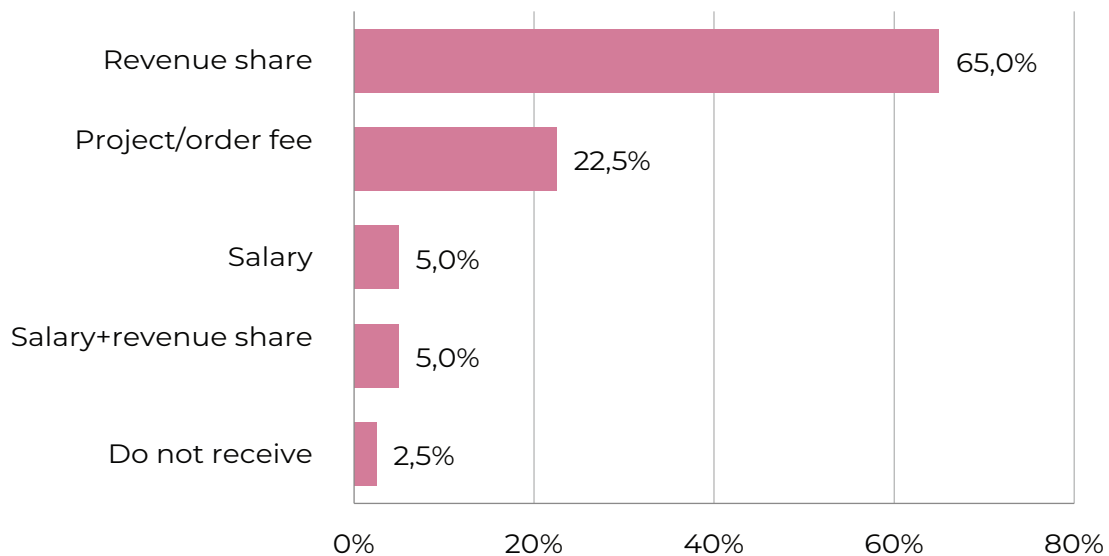


Fig. 4.7. Forms of financial settlements between artists and managers

Most often, the revenue share is about 10-25%. In comparison, according to the American online education platform Masterclass<sup>112</sup>, global trends are slightly different: international music managers work for a 15-30% share of the artist's gross revenue (prior to cost deduction). Thus, they not only receive higher incomes but are also insured against its absence if the artist's performance is unprofitable.

<sup>112</sup> Master Class (2019). What Are the Duties of an Artist Manager? <https://www.masterclass.com/articles/what-is-an-artist-manager-understanding-what-a-musician-manager-oes-and-how-to-get-one-for-your-band#what-are-the-duties-of-an-artist-manager>

## Education and Competencies

*To become a good manager, you just need to get an education, gain experience, build a network of contacts, find customers, and start managing.*

*Graham Jackson, BIMM Institute, London<sup>113</sup>.*

What competencies should a manager have to effectively work in the music industry? During in-depth interviews and focus groups, managers of Ukrainian artists shared their views on this issue. Their answers can be combined in one sentence: “Soft skills are everything”. Experts in the American music industry support this idea while adding business skills, leadership, understanding of human nature, and legal knowledge<sup>114</sup>.

In the course of the survey, 43.9% of managers stated that they lacked legal competencies. This is a negative sign given that legal awareness is the basis of the manager’s work. Contractual obligations, force majeure, copyright, business planning – these and other aspects exist in the legal field and require in-depth knowledge or at least an understanding of how to work with them.

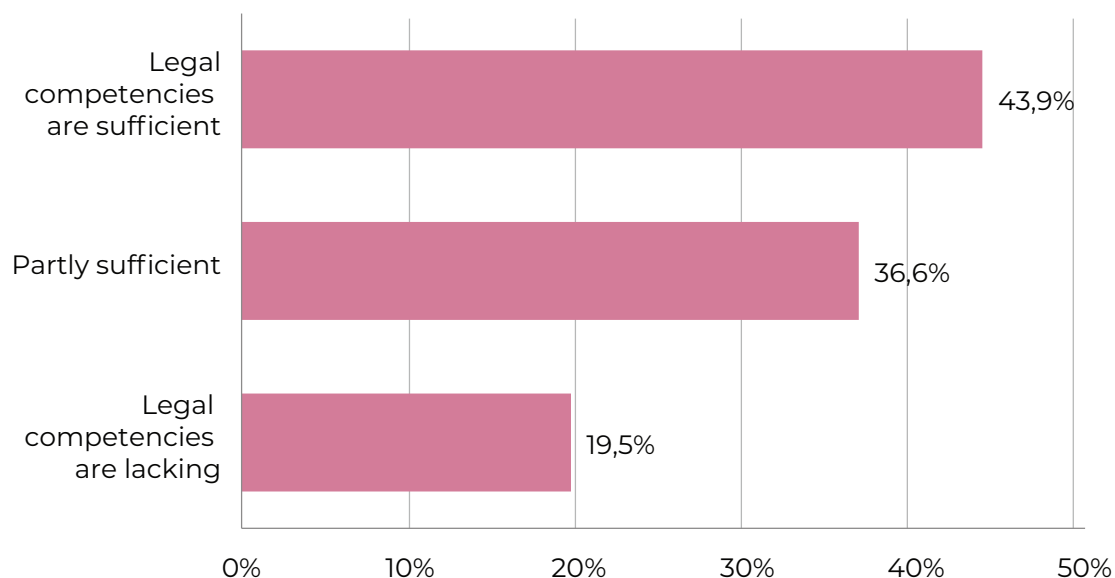


Fig.4.8. Managers’ assessment of their own legal competencies

<sup>113</sup> Comma.com.ua (2019). How to Manage an Artist: 7 questions to the British and Irish Modern Music Institute teacher: <https://comma.com.ua/article/management-bimm/>

<sup>114</sup> Paul Allen, Artist Management for the Music Business, p.76

Those willing to work with artists and build their careers as managers tend to believe that it is impossible to get quality professional education in Ukraine. The reason is that no educational institution trains managers in the music industry. In terms of content, such education most closely relates to specialty 028 Management of Socio-Cultural Activities, but the range of areas of this specialty remains wide, from art business management to tourism<sup>115</sup>. That is why Ukrainian music industry representatives generally believe that professional education for managers cannot provide the market with professional personnel.

In Ukraine, a vast majority of music managers have no special education. In the course of the survey, 37.5% of respondents claimed that such education, in their opinion, does not meet music market requirements. The best way to obtain the necessary knowledge is through practice supported by expertise from other fields.

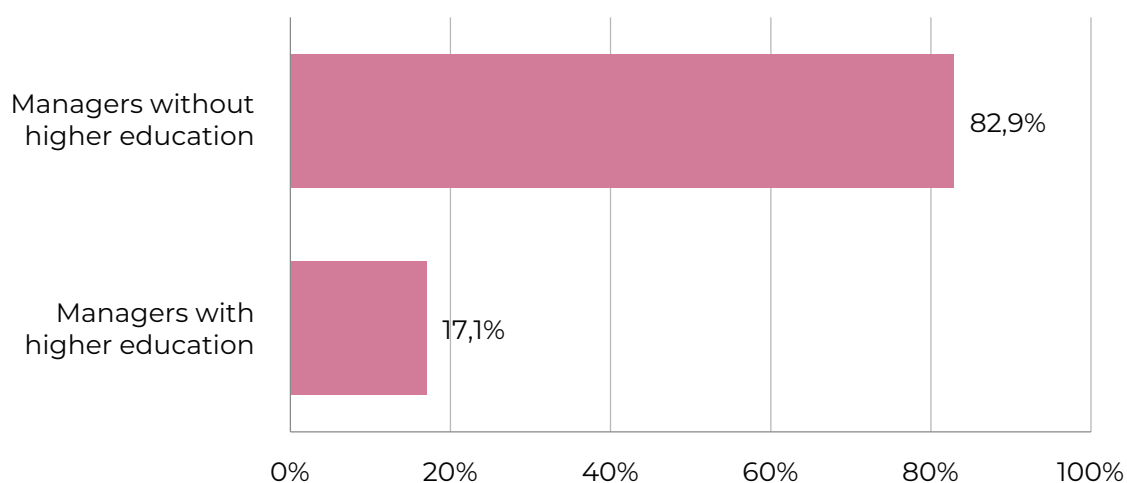


Fig. 4.9. Higher professional education among managers

*I am a journalist by profession. I became a music manager because there were no specialists to do the work. We learned everything by ourselves. I think most of our colleagues have the same story.*

*Yehor Kirianov, manager of The Hardkiss band.*

<sup>115</sup> A list of branches of knowledge and specialties on which preparation of higher education applicants is carried out: <https://zakon.rada.gov.ua/laws/show/266-2015-%D0%BF#n11>

## Challenges of Promotion of Artists

During the study, managers could identify a number of challenges that impede their work to promote artists. The most common answers include lack of financial resources, limited/imperfect promotional channels, audience indifference, and a low level of performers' professional ethics.

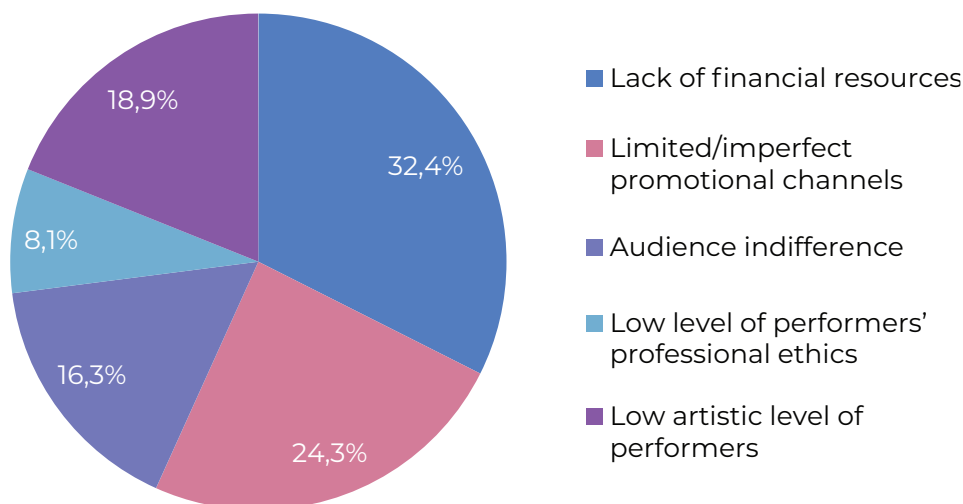


Fig. 4.10. Major challenges of promotion of artists

**Lack of financial resources.** In countries with developed music industries, a band or an artist usually functions on the market as a coherent business system with numerous processes carried out to achieve the set goal. In Ukraine, this approach is also used: many managers understand that music is the main but not the only component of this business. Hence, the issue of project funding gets a completely different meaning and goes beyond purely concert activities.

On the other hand, for 63% of artists, music remains a secondary source of income they do not rely on, and invest their own money earned in another field if necessary.

*New projects emerge, but they lack resources (money, people, tools) to enter the market. What I see now is that most of them call themselves "independent" of producers, management, structures, formats. They confuse making music with the music business and, as a result, they develop chaotically, without planned actions, strategies, visions, or specific goals.*

*Yurii Nikitin, Mamamusic company<sup>116</sup>.*

<sup>116</sup>Slukh.media (2018). Being a Producer in Ukraine: Pros, Cons, and Pitfalls: <https://slukh.media/texts/hey-producer/>

**Limited/imperfect promotional channels.** In fact, the Ukrainian music market has a number of channels to promote music, from advertising and PR to social networks and digital marketing. However, it is important to understand that this area is changing rapidly and, therefore, requires constant monitoring. In order to use the right channels of promotion, managers should constantly monitor new trends, study them, and analyze their feasibility.

*In 10 years, the approach to PR has changed fundamentally. When we were starting, it was an era of big media, video, and influential radio stations. Today, we are mostly talking about social networks and Youtube. Now it is important to understand the mechanics, the effectiveness of actions. We use an empirical data-based approach.*

*Ihor Tarnopolskyj, Enjoy Records.*

**Low level of professional ethics of performers.** Blurred responsibilities, distorted expectations of both parties, lack of contracted cooperation, lack of fixed KPI – these and other factors make the managers' work with artists extremely uncomfortable and chaotic. Interestingly, survey results showed that both parties express distrust and claims against each other. For example, according to the survey, 37.4% of artists estimated the work of music managers as unsatisfactory.

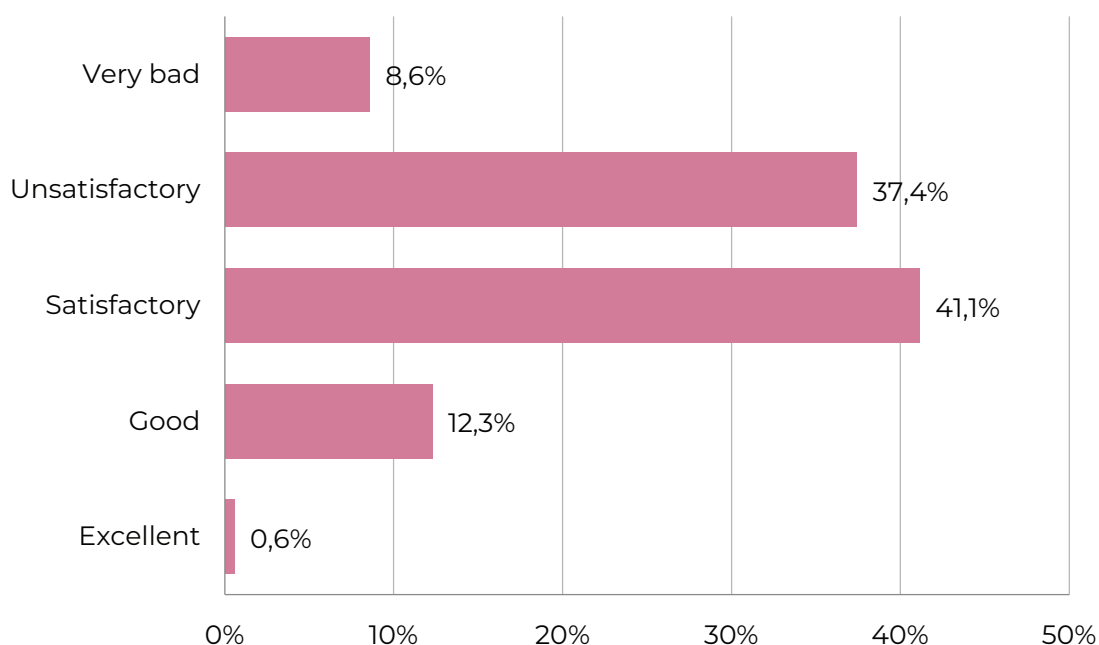


Fig. 4.11. Artists' assessment of the managers' work



## Recommendations

- Creating new conditions for state granting of music managers to develop their professional level using European and American educational programs.
- Developing a Music Management program for public higher education institutions in accordance with the needs of the existing music market and taking into account the best international practices.
- Updating classes of economic activities, accentuating the music market.





# Case study

## Enjoy! Enjoying Creativity

The creative field is considered being a beautiful chaos, Brownian motion of sorts, when everything moves in an incomprehensible rhythm, and from this, a new star is born. But is it really so?

Ihor Tarnopolskyi is a man who for years has been associated with Susana Jamaladinova, known by the stage name Jamala. In 2009, she won the New Wave song competition in Jūrmala. After seeing her, Ihor's team, which at that time consisted of three people, could not contain their emotions.

When Jamala started working with Ihor, it became clear that this is going to be exciting. No matter how much people praised the artist's image comparing her to internationally acclaimed divas, all this was different from Jamala's vision. She wanted to stay true to herself and revolutionize the music. She completely immersed herself in creative work and started writing music with a new sound producer, Yevhen Filatov (The Maneken). With the support of the new team, her debut album For Every Heart came out featuring the song Smile, and everyone saw the new Jamala.

*I'm a very positive person, smiles and joy are my state by default. I have a positive attitude to life and its difficulties and trials. Yet this is only one part of me, and not the deepest one. This was the emotion of that time in my creativity<sup>117</sup>.*

Jamala

After ten years, a lot has changed. The small team with which Ihor Tarnopolskyi and Denys Kozlovsky (the artist's PR-director) have started out has grown into Enjoy!, a company now employing eight specialists. Today, the company's management is working on a new business model. The structuring is constantly improved, the philosophy changes, the future is being programmed. Moving away from the common artist management, Enjoy! becomes a full-cycle company. Today it includes:

- Music management
- Music writing and production
- Managing copyrights and related rights
- Publishing and distribution
- Development of promotional strategies
- PR-support, development and realization of promotional campaigns
- Celebrity marketing
- SMM
- Development and production of visual content

At the moment, all these functions are done in-house, but in the future, the company plans to outsource part of them if the market requires it.

<sup>117</sup> mk.ru (2016). The Eurovision Song Contest turned into battlefield between Russia and Ukraine: <https://www.mk.ru/culture/2016/05/12/evrovidenie-prevratilos-v-pole-bitvy-rossii-i-ukrainy.html>

## The Producer of Enjoy!

Ihor believes that his main task is to connect talented people, help them understand each other and work together towards their goal. As a manager, he is responsible for project financing, communication with artists and musicians, control over the creative process, and music production. However, according to Ihor, the artist has the final say, as they have to like what they do<sup>118</sup>.

*The work of the producer relies on intuition, creativity, and energy. You have to constantly generate ideas, guide artists in the right direction. Artists are emotional and irrational, which is why they may not always see the bigger picture, or not understand the strategy that has a clear basis.*

*Ihor Tarnopolskyi.*

## Risky Win

Working in the creative field, artist management can't avoid risks. Work prospects can become truly unpredictable, when a desire for experiments takes over.

This is what happened with the song 1944 that won the Eurovision Song Contest in 2016, and immediately exploded all over the media. The story of the Deportation of Crimean Tatars in 1944, the surprising use of the Crimean Tatar language in the chorus, and the general message of the song went against the joy of Eurovision. Given all of this, the management should have refused to participate, but the willingness to risk led the song to victory. For all the days of Eurovision, 1944 was the main song of the event. This victory was named the victory of truth, the media wrote that it will bring peace to Ukraine and mark the beginning of the return of Crimea to Ukraine<sup>119</sup>.

*The feeling that you are doing everything right is always in the unknown. You just go, and you always have two directions, creative and rational. It's all in the air. Jamala needed to feel and live her song as a person for whom this is a personal tragedy. When it happened, everything fell right into place.*

*Ihor Tarnopolskyi.*

<sup>118</sup> bit.ua (2019). On the career of an artist, on combining work and the main thrill in life – an interview with producer Ihor Tarnopolskyi: <https://bit.ua/2019/05/igor-tarnopolskyi-jagermeister/>

<sup>119</sup> bbc.com (2016). Jamala: "Five minutes before I went on stage, I cried" [https://www.bbc.com/ukrainian/society/2016/05/160517\\_djamala\\_interview\\_om\\_dk](https://www.bbc.com/ukrainian/society/2016/05/160517_djamala_interview_om_dk)

## Working With Negativity

One of the tasks of the management team is to constantly work on shaping the image of the artist. An artist's popularity automatically makes them a public figure, a person whose words people listen to, discuss their actions, and follow their example.

Denys Kozlovsky, Jamala's long standing PR-director, is a man who keeps his ear to the ground, reacts fast, and makes even faster decisions to blow out the negative.

*We don't do interviews and don't comment on the statements of the Russian media. Jamala is one of the few moral authorities in the country and quite often becomes the target of planned operations to split the Ukrainian society.*

*Denys Kozlovsky<sup>120</sup>*

## Business Planning

Without interrupting the creative processes, the management team of Enjoy! started to digitize all business indicators for a more effective operation.

*We translate the results of our work into digits. It concerns all online platforms, social networks, streaming, and Youtube. This gives us a new picture, a digital slice of successes and challenges, shows us what to look for. This became the basis for our new strategy that relies on numbers and KPI set for every direction. We took apart everything we have been working on, at times it was unpleasant and difficult. Yes, we spent a lot of time to start working like a company, and not like servants. This was a difficult turning point, to audit all processes and record our expectations.*

*Ihor Tarnopolskyi*

At Enjoy!, the work is planned as an annual strategy based on the indicators of the previous period. Despite changes in the world and unpredictable events, they set clear goals deliberately inflated by 20%.

<sup>120</sup> nv.ua (2019). Jamala has become a target of a planned operation to split the society, says a representative of the singer  
:https://nv.ua/style/evrovision/dzhamala-stala-mishenyu-dlya-splanirovannoy-operacii-po-razobshcheniyu-obschestva-predstavitel-pevicy-50008072.html

## Cooperation With Artists

In winter 2020, Enjoy Records published a compilation Svoi (“Свої”) which featured tracks Jamala recorded with DakhaBrakha, Alyona Alyona, Boombbox (Бумбокс), Pianoboy, Jah Khalib and others.

*At this time in life, I'm more happy about the successes of my people. I feel very patriotic about my country, and if you tell me about your success here in Ukraine, I will be happier about it than about some show abroad.*

*Jamala*<sup>121</sup>

Ihor and Jamala continue to add to the list of artists with whom they would like to collaborate. However, it should be noted that any joint music project is always an area of increased attention from management. Many people value cross-promotion and audience exchange exclusively, because such a release attracts the attention of both artists' fan communities.

However, Enjoy! note that joint projects always mean long negotiations regarding creative interests of both sides, division of copyright and related rights, promotional responsibilities, etc.. In addition, duet songs are not usually performed at shows and have many other difficult aspects in use and monetization.

*Every artist's career is cyclical: after a successful debut, they go through certain stages. First comes the awareness, then the growth of interest, and the peak of popularity. Right after, the audience's interest declines, the artist's popularity drops, and a new artist receives more attention. For the artists to remain interesting to the audience, the management team has to plan the next cycle at the peak of popularity, and launch the new strategy and new material as soon as the decline starts. In fact, you have to review and change the positioning, repertoire, and visual images again and again every time.*

*Ihor Tarnopolskyi*

<sup>121</sup> Ukrainske Radio (2020). “Alyona Alyona wrote her part in 30 minutes” – Jamala premieres her new song Zhali (“Жалі”): <http://www.nrcu.gov.ua/news.html?newsID=92711>





V.

# Live Music Industry



This section was to contain statistics that would show the capacity of the concert market, trends and fluctuations in demand, typological grouping of listeners by musical preferences, and potential ways of industry development, supported by real numbers.

All this data could be used in lobbying the industry's interests in government agencies, making administrative decisions and determining the strategy for the overall development of the industry.

The largest amount of statistical data (cleaned and anonymized) for further research could have been obtained from ticket operators. However, most of these companies either refused to cooperate, or didn't reply to the cooperation request.

In the course of in-depth interviews conducted during the survey, respondents suggested that the volume of the live music market in Ukraine can be estimated at 3-4 billion hryvnias (90-120 million euros) as of 2019, and the number of musical events of various scales at more than 3,000 events per year.

If we compare these approximate figures with international research indicators in 2019, the Ukrainian market (in monetary terms) is much smaller than the German, British, or French ones<sup>122</sup>.

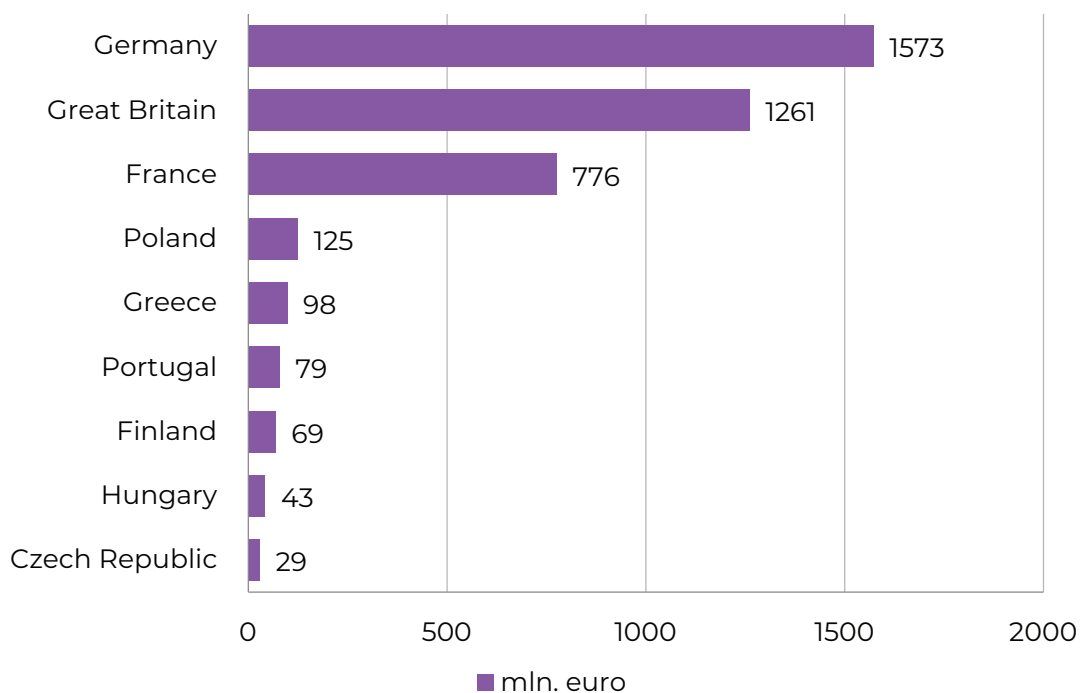


Fig. 5.1. Ranking of the live music markets' size based on the estimated market value in 2019



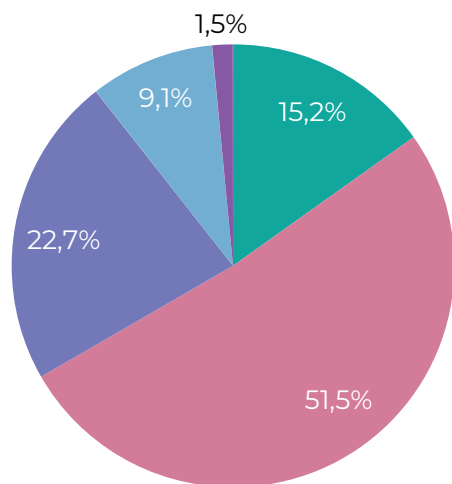
<sup>122</sup> Statista (2019); Ranking of European live music markets based on estimated market value from 2018 to 2023 <https://www.statista.com/statistics/687692/top-live-music-markets-in-europe/>



# Ukrainian Promoters

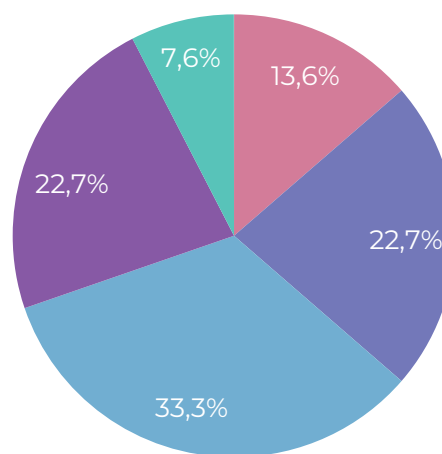
## Overview

51.5% of Ukrainian promoters are young people aged 26-35 with a live music industry experience of 5-10 years. They have strong contacts with artists and/or their agents, speak English, and have technical, financial, legal, and administrative skills necessary to organize concerts and festivals. Promoters can organize concerts of both Ukrainian and international artists, thus supporting music import to Ukraine.



- 18-25 years
- 26-35 years
- 36-45 years
- 46-55 years
- 55+ years

Fig. 5.2. Share of Ukrainian promoters by age



- 3-5 years
- 1-3 years
- 10-20 years
- 5-10 years
- 20+ years

Fig. 5.3. Work experience of Ukrainian promoters

The Ukrainian live music market is rather Kyiv-centric. Kyiv provides direct access to the audience with greater purchasing power, central media, concert venues, etc.. However, promoters are not tied to their place of residence/registration in their work and arrange concerts both in Kyiv and throughout Ukraine.

In the course of the in-depth interviews, experts named about 10 large promoters dealing with venues for more than a thousand visitors, and 50 small ones working with small venues for several hundred people. The genre diversity covered by promoters is rather wide – they work with electronic music (Closer club, Strichka and Brave Factory festivals, CXEMA party series), “heavy music” (Insha Muzyka, Robust Fellow), or choose different styles and audiences (Happy Music Group, H2D, PopCorn CA, Anshlag CA, etc..). International players of promotional business such as Live Nation or AEG Presents are not represented in Ukraine.

Promoters' income directly depends on the number and size of concerts and festivals. For the purpose of this study, promoters reported their

income in 2017-2019. The graph does not show the situation that occurred in 2020 due to the global COVID-19 pandemic. The shutdown of the live music industry and significant financial losses are obvious and require no further explanation.

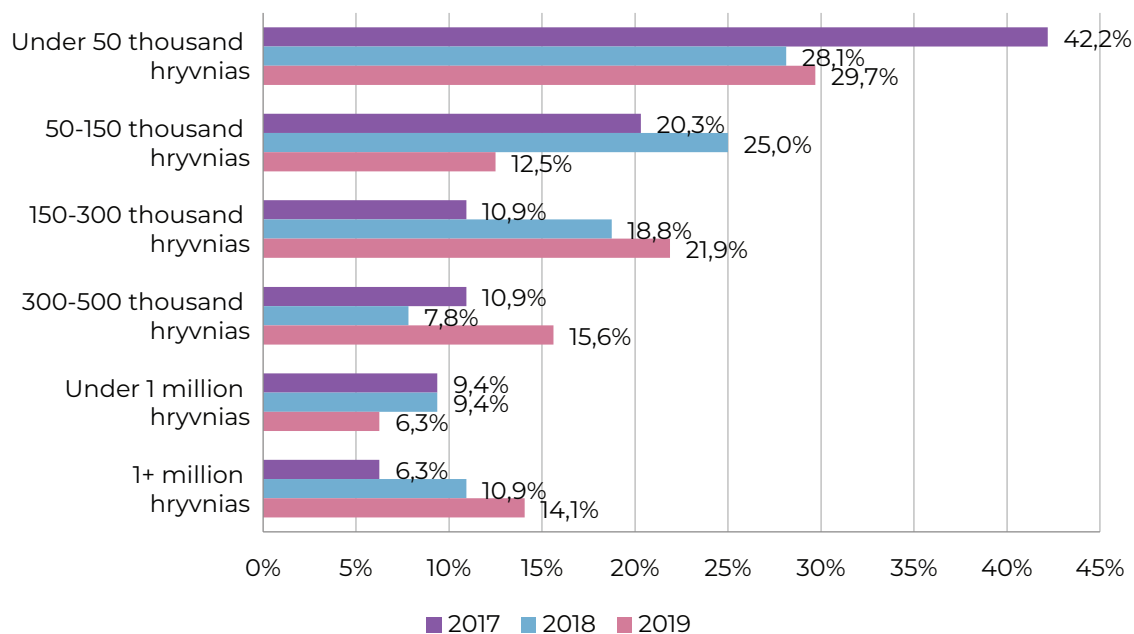


Fig. 5.4. Annual incomes of promoters in 2017-2019

### Legal Registration of Activities

According to the survey, 43.8% of promoters register their activities as individual entrepreneurs (IE) and 23.4% register as a TOV. Individual entrepreneurs can choose a general or simplified tax system. However, when touring, an IE can only use the general tax system<sup>123</sup>. Sometimes this rule is ignored – concerts are called “other commercial activities” and taxes are paid at artificially reduced rates, which are illegal for this type of activity.

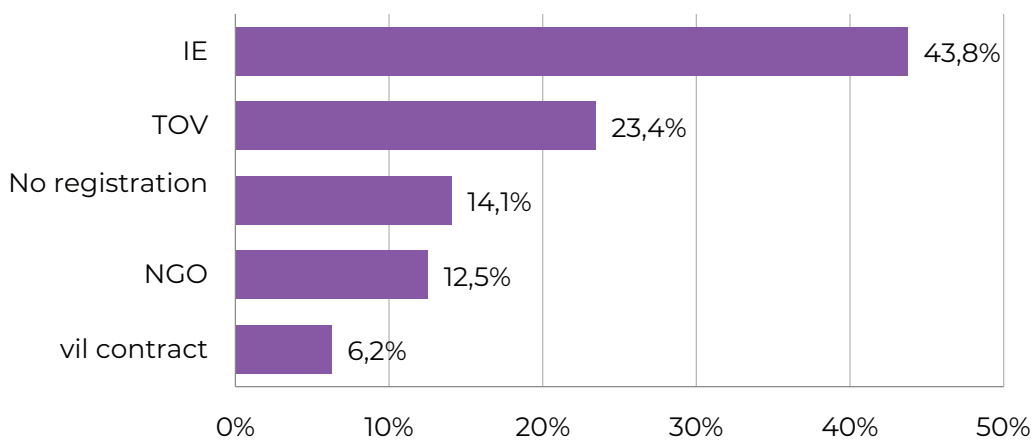


Fig.5.5. Legal registration of promoters' activities

<sup>123</sup> State Fiscal Service of Ukraine Part XIV, Chapter 1, Article 291.5.1, point 10: <http://sfs.gov.ua/nk/rozdil-xiv--spetsialni-podat/edynyi-podatok/>

Due to specifics of the existing Classifier, official sources cannot identify the number of entrepreneurs and companies for which live music is the main economic activity. According to the classification (2005, 2010), those working in the live music industry can choose the following classes<sup>124</sup>:

- 90.01 Theatrical and concert activities,
- 90.02 Activities in support of theatrical and concert events,
- 90.04 Concert venues and theater auditoriums,
- 93.29 Organizing other types of recreation and entertainment.

In-depth interviews also revealed that the following classes can sometimes be used for concert activities:

- 82.30 Organizing congress meetings and trade shows
- 63.99 Other information services not included in other classes

The reason for such a situation is that the National Classifier lacks the types of economic activities used in the modern live music industry. This problem relates not only to promoters' activities, but also those of technical directors, soundmen, make-up artists, and VJ (people creating author's video series in the show).

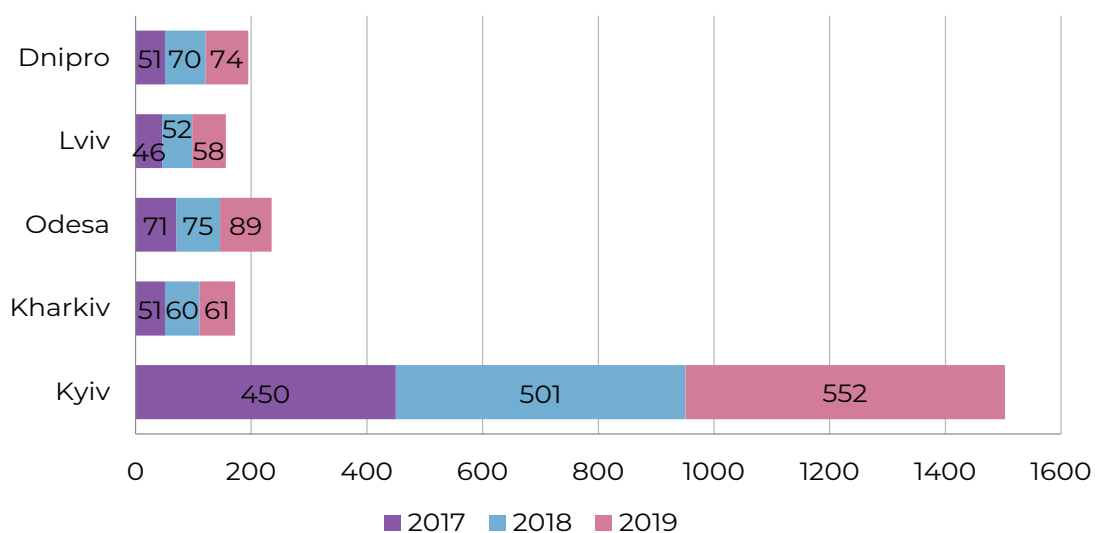


Fig. 5.6. Number of active enterprises by type of economic activity according to the State Statistics Service of Ukraine. The sample includes classes 90.01 Theatrical and concert activities, 90.02 Activities in support of theatrical and concert events, 90.04 Concert venues and theater auditoriums, and 93.29 Organizing other types of recreation and entertainment

According to legal requirements, a legal entity must have one major class. A limitless number of additional classes can be used, but if a promoter relies on additional classes, their activity as a concert organizer is not reflected in statistics. Such distribution of the live music industry among different activities limits research opportunities and impedes the collection of relevant information.



<sup>124</sup> The National Classifier of Ukraine: <https://zakon.rada.gov.ua/rada/show/vb457609-10#Text>



## Building a Promotion Team

Usually, a promoter's team in Ukraine involves 5-10 people. For festivals, the number is slightly higher. Medium-sized events (up to 15,000 visitors) are organized by a team of 10-15 people, and major musical events are organized by up to 50 people working throughout the year. Employees are rarely hired because of the riskiness of the business that cannot guarantee a stable income. In addition, due to the seasonality of work, promoters try to form a team before the event, when the number of administrative and coordination tasks significantly increases. Remuneration is usually arranged via civil contracts. Cash payments are also common, as evidenced by in-depth interviews.

Organization of music events assumes involvement of a large number of contractors – rental companies, logistic agencies, security service providers, catering companies, advertising companies, etc.. A medium-sized festival creates about 1,200 jobs, and the country's largest music events can involve more than 5,000 employees during show days.

Some of these employees are paid in cash for their services because they do not have legal registration or consider it commercially unprofitable. Numerous promoters have several legal entities and, to optimize tax payments, choose how to make payments, through a TOV or an IE.

In addition to the promoter's team, large events depend on the coordinated work of volunteers performing a significant number of tasks. Usually, volunteer teams are formed through a competition officially held by the promoter. According to industry representatives, volunteering is becoming the most effective tool for developing potential staff. Numerous volunteers believe that practical experience of working in a team and participation in the organization of concerts or festivals is much more valuable for them than specialized education.

# Ticket Operators

## Overview

In Ukraine, there are more than ten active ticket operators. Some of them, having an extensive network, work across the country while others focus on specific regions. Tickets are sold both online and through physical ticket offices. However, the cost of such ticket offices is becoming increasingly unjustified, especially when mass events are limited due to COVID-19. Global ticket systems like Ticketmaster or Eventbrite do not operate on the Ukrainian market.

When selling tickets for a promoter's events, ticket operators get a commission from the organizer in the amount of 8-15% of the ticket cost (the rate depends on working conditions: exclusive arrangements or ticket sales through allocated quotas). Each ticket buyer is also charged a cash service fee of up to 7%.

Ticket operators, in addition to providing an IT solution for ticket sales, offer other services: advertising, analysis of the buyer's portrait, developing a sales strategy, special projects, etc. For small promoters, such cooperation can be useful. Large market players say that it is more effective for them to have their own employees to systematically deal with promotional issues than to delegate this function to a ticket operator.

## Issues in Relations with Promoters

In the course of focus groups and in-depth interviews, promoters said that they considered it unjustified that ticket operators get a percentage of total sales. That is why promoters, in order to optimize costs, increasingly sell tickets via their own systems.

Another problem mentioned by promoters is the significant delay in payment for the tickets sold. Usually, the payment is made in parts: the first part – before the event, the second part – after the event. This creates a cash gap when the concert has been held but the organizer does not have the full profit amount and must cover certain expenses using their own savings. Meanwhile, the ticket operator can use these temporarily unpaid funds to finance its own activities, thus obtaining a “free” loan. In response to such allegations, ticket operators state that they offer special terms to important and reputable promoters. For example, a promoter can get a prepayment before the ticket sales start. This is done at the expense of promoters (if post-payment is made) or own funds of ticket operators, who thus lend to the promoter and create possibilities for the latter to earn.

To ensure payment transparency, a ticket system has been created. It helps promoters to issue ticket sales quotas to different operators, which simplifies control and allows organizers to receive funds to their own accounts immediately after the transaction.

There are also ticket resale sites operating in Ukraine that enable buying tickets from individuals.

## Concert Venues

One of the important factors of the music market development is the availability of concert halls, both small (up to a hundred people) and large commercial arenas. Small halls are important for the development of local artists, who can improve their stage skills through performances for a limited audience. Construction of large arenas helps attract international stars who need special technical conditions to create a show. Promoters note that it is only the state that can sponsor construction of such large halls. This is a rather long-term investment, the payback period of which is about 20 years. However, such funding helps to build infrastructure, create jobs, and mark the country on the global map of cultural events.

In the course of in-depth interviews, promoters from five Ukrainian cities confirmed a shortage of concert halls with standing sections. Utilities such as community centers have built-in chairs and significantly limit show formats. The material and technical base and the quality of equipment are so outdated that the artists refuse to perform there. It is also unprofitable for the promoter to organize concerts at such venues as the list of equipment for rent at their own expense is too long.

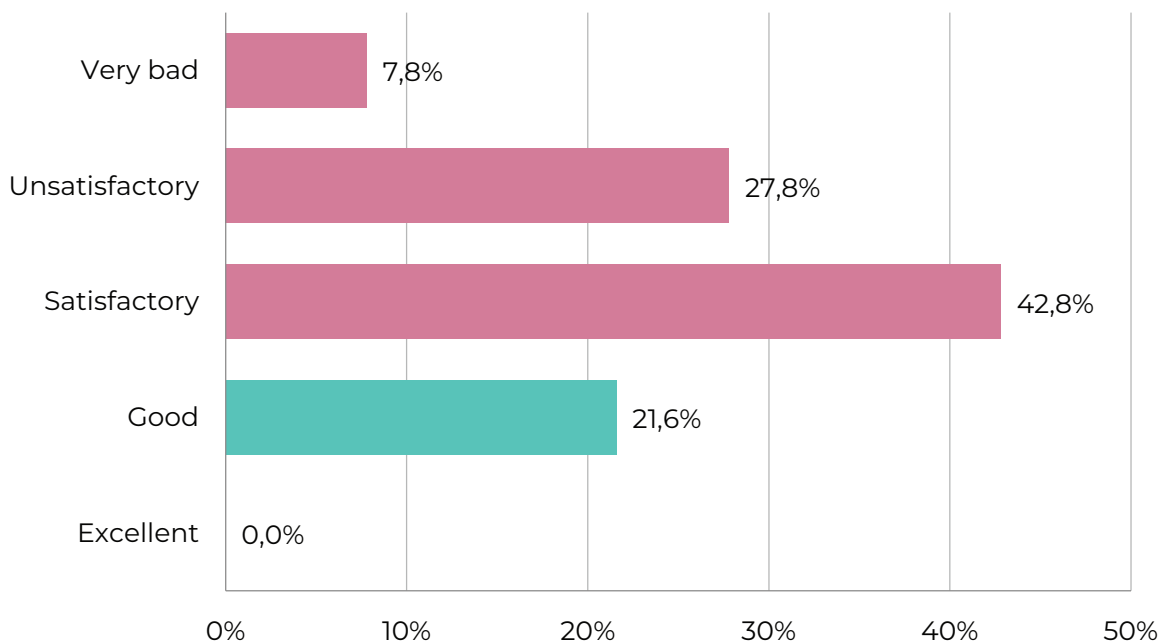


Fig. 5.7. Estimation of concert venues' effectiveness by Ukrainian music community

## Festivals

It is almost impossible to identify the regularity of any festival in Ukraine. This process is influenced by a number of factors: convenience of logistics, presence of an active interested audience, tourist attractiveness of the venue, cooperation with local authorities to obtain permission to hold a mass event, etc..

In the cities considered in the study, music festivals are clearly seasonal — they are held mainly in the open air in warm seasons and are multi-genre. The most famous of them include Atlas Weekend (Kyiv), ZaxidFest (suburbs of Lviv), Beviz Festival (Dnipro), and Impulse Fest (Kharkiv). In addition to these festivals, almost every city hosts music events that cover certain genres of music: Leopold Jazz Fest (Lviv, jazz), Brave Factory (Kyiv, electronic music), Bouquet Kyiv Stage (Kyiv, classical and experimental music), Ethno Drum Fest (Kharkiv, ethno-music), etc..

Cold seasons mostly involve club festivals with a segmented audience, including Black Factory (Kyiv, industrial music), Am I Jazz? (Kyiv, jazz), Winter Mass (Kyiv, stoner / prog / metal), Z-Games On Snow (Bukovel, hip-hop, electronics), etc..

Each promoter forms a line-up of the festival taking into account the popularity of the artists, their tour schedule, available budget, etc.. A promoter's personal taste is also important, e.g. when they want to present a good but little-known artist to the audience. There is also a rational component, a star that can ensure commercial success of any event.

## Ukrainian Artists' Tours

In 2017-2019 Ukrainian artists were consistent in their live activities.

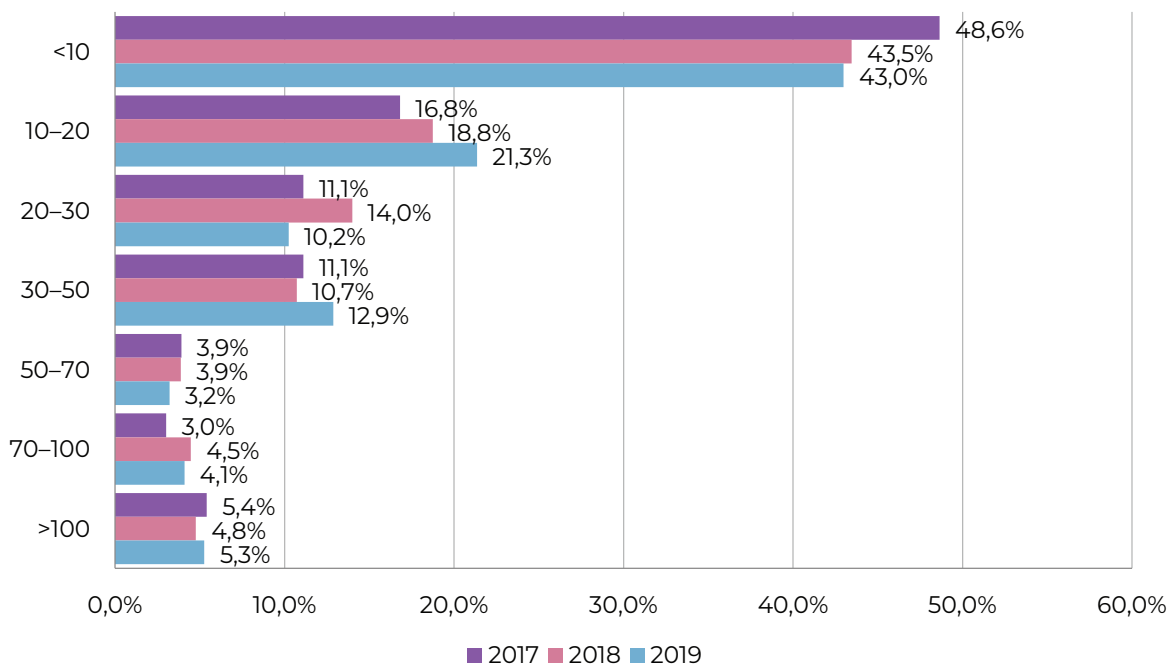


Fig. 5.8. Number of concerts of Ukrainian artists in 2017-2019

Such a situation is similar to that of Europe. According to the Central & Eastern European Music Industry Report 2020<sup>125</sup>, in Eastern Europe, an average professional musician plays 10-50 concerts a year. As for the tour budget, Ukrainian artists usually rely on their personal funds or ticket pre-sales.

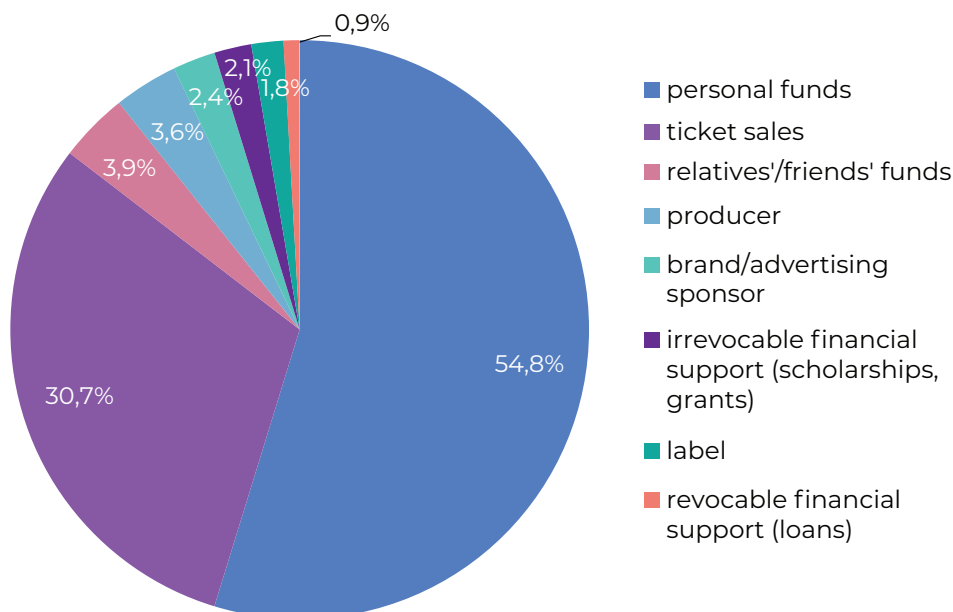


Fig. 5.9. The structure of the artists' budget for their own concerts and tours

<sup>125</sup> Daniel Antal "Central & Eastern European Music Industry Report 2020". Стр.23 [http://ceereport2020.ceemid.eu/CEE\\_Report.pdf](http://ceereport2020.ceemid.eu/CEE_Report.pdf)

The artist income structure shows that they mostly earn from live performances. Merch earnings, which are a complementary source of income during the tour in other countries<sup>126</sup>, are insignificant.

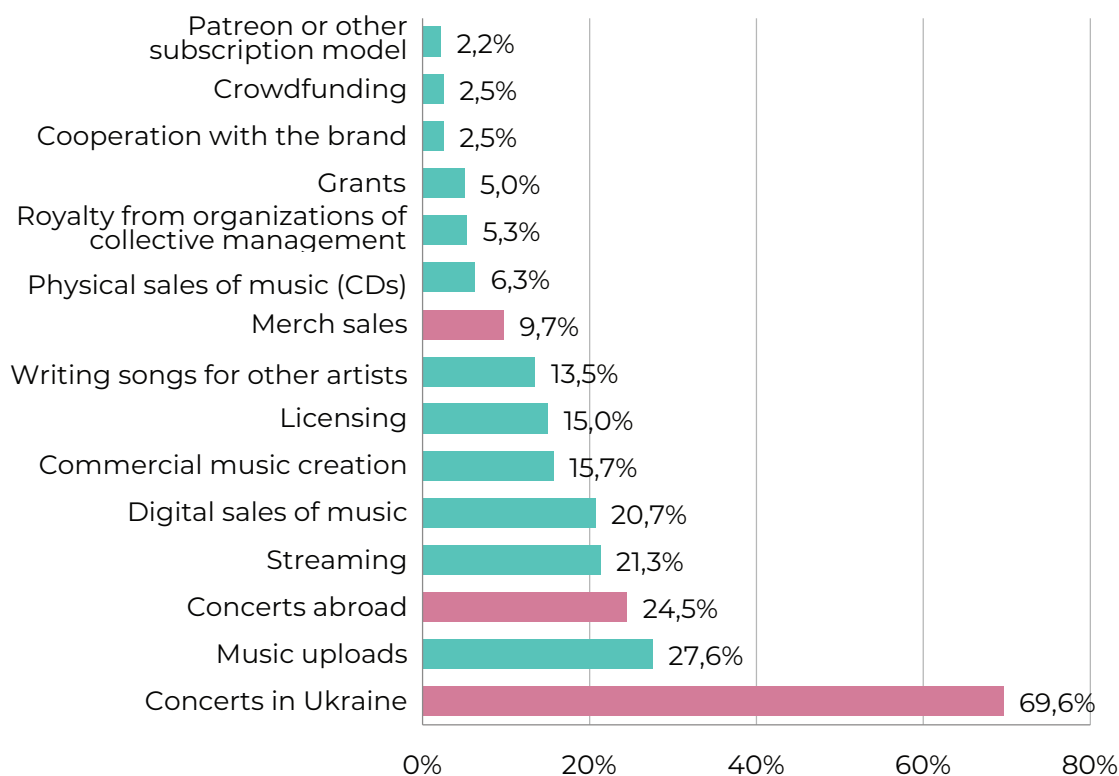


Fig. 5.10. Major sources of artists' income

In the course of the survey, 75% of artists said that they did not legally register their work with promoters, their work was trust-based, and they received fees in cash.

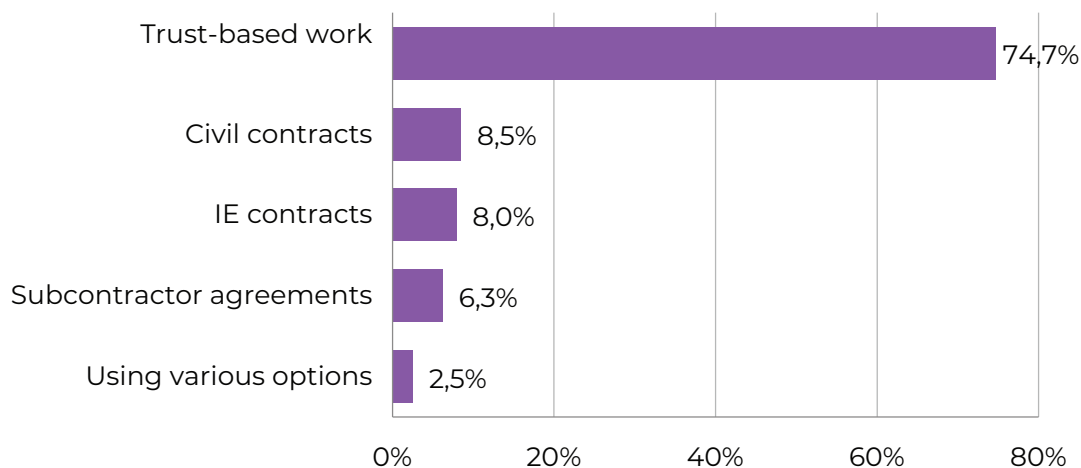


Fig. 5.11. How Ukrainian artists formalize relations with promoters

<sup>126</sup> IQ-mag.net (2019): Music merch sales boom amid building controversy  
<https://www.iq-mag.net/2019/07/music-merch-sales-boom-amid-bundling-controversy/#.X0aXsMgzY2w>



# Industry Pricing

## Tax Burden of Concert Organizers

During in-depth interviews, promoters confirmed the need to reduce the tax burden on the live music industry. The main argument was the high risk of doing business. Even rain can reduce event incomes by 30% as part of the audience can stay home.

They also emphasized the need to equate the music industry with the film industry and the publishing sector, which are exempt from VAT in Ukraine. According to experts participating in the interview and focus groups, all these industries create a cultural product and provide jobs, so the tax burden should be the same.

Numerous European countries have already recognized the socio-cultural significance of the live music industry and made it tax-exempt<sup>127</sup>. The Organization for Economic Co-operation and Development (OECD) has proposed three country-led models:

1. The US has introduced a mutual tax exemption for all forms of artistic performances that earn under 20,000 USD.
2. The United Kingdom and the Netherlands have adopted the “personal assistance” rule, according to which incomes under 12,000 pounds and 15,000 euros are tax-exempt.
3. EU countries may unilaterally waive taxation. Ireland, the Netherlands, and Denmark have so far exercised this right. In 2018, Ireland discussed the possibility of reintroducing the withholding tax, but rejected it due to insignificant financial benefits<sup>128</sup>.

In Ukraine, when paying a fee to a foreign artist, the promoter must pay about 54.5% taxes (20% VAT, 18% corporate income tax, 15% withholding tax, and 1.5% military tax). Thus, the cost of an artist coming to the country increases more than 1.5 times, which is a significant burden for such a high-risk business.

<sup>127</sup> Live-dma.eu (2020): VAT in the European Live Music Sector  
<http://www.live-dma.eu/vat-in-the-european-live-music-sector/>

<sup>128</sup> Music Moves Europe – A European Music Export Strategy. Final report. Ctp.22.  
<https://op.europa.eu/en/publication-detail/-/publication/4be2f11d-216c-11ea-95ab-01aa75ed71a1/language-en/format-PDF/source-111483830>

## Budgeting Approaches to Ukrainian Artists' Performances

Performance costs of Ukrainian artists depend on various factors: format of the concert, venue, date and organization time, audience size, etc.. When organizing a concert, the promoter often calculates the costs as follows:

- Estimates the approximate number of tickets that can be sold for a concert for X hryvnias.
- Deducts the cost of promotion, location rental, logistics costs, as well as taxes and commissions.
- Divides the rest between his earnings and the artist fee.

During the survey, 21.9% of artists said that they had fixed prices and did not negotiate them with promoters. 75.6% are open to communication and are ready to determine the fee taking into account various factors, even who the promoter offering cooperation is.

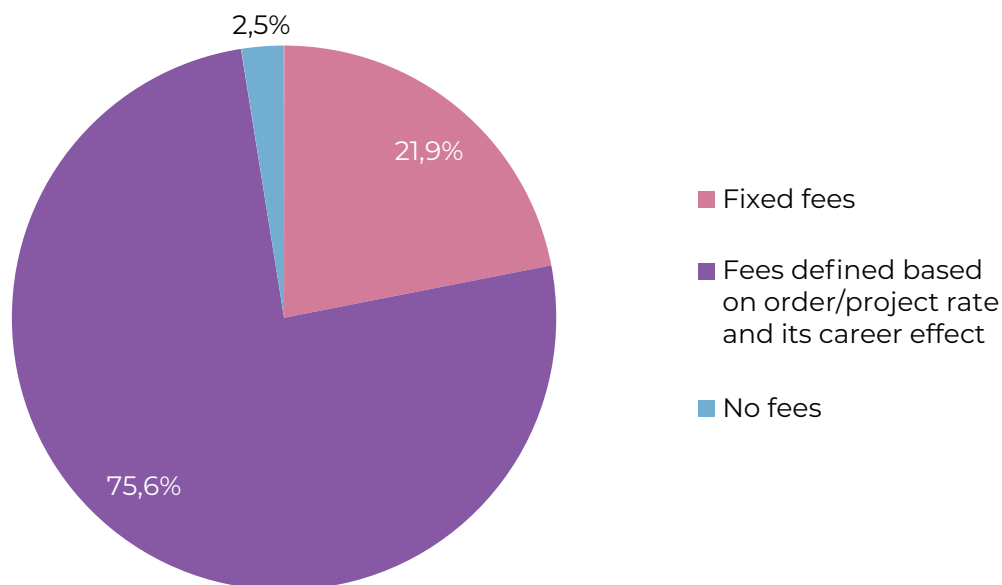


Fig. 5.12. Artists' approaches to defining their fees

Organizers of regional festivals note that artists are ready to perform for free or for a minimum fee (up to 10,000 hryvnias). They see such participation in festivals as promotion, an opportunity to present themselves to potential audiences. Herewith, Ukrainian headliners can receive significant fees for their work.

The format of payments for public performances of music works also affects performance cost. Ukrainian artists often agree to issue a rejection letter and include their royalties in the fee — this way, they can receive money instantly. This is due to the fact that, because of the outdated and bureaucratic system, artists have to wait for years to receive royalties from collective management organizations.

## Budgeting Approaches to International Artists' Performances

In addition to the taxes mentioned above, a number of other factors affect the costs necessary for a show of an international artist. After assessing the available booking budget, one of the major issues is the artist's fee. Sometimes, international artists agree to adjust their fees to the Ukrainian market, but most require European payment rates.

Also, several promoters from different countries may be interested in an artist's show. In this case, the artist receives 3-4 times more offers than planned within the tour schedule. The artist's agent chooses the country to perform in based on financial and logistical advantages.

The cost of an international artist's show is also significantly affected by "package offers" when the artist is offered a fee not for one show, but for a part of the tour. It is common practice for Russian promoters to offer such a package deal to cover several cities at once — Moscow, St. Petersburg, Chisinau, Minsk, and Kyiv — and then resell shows to local promoters.

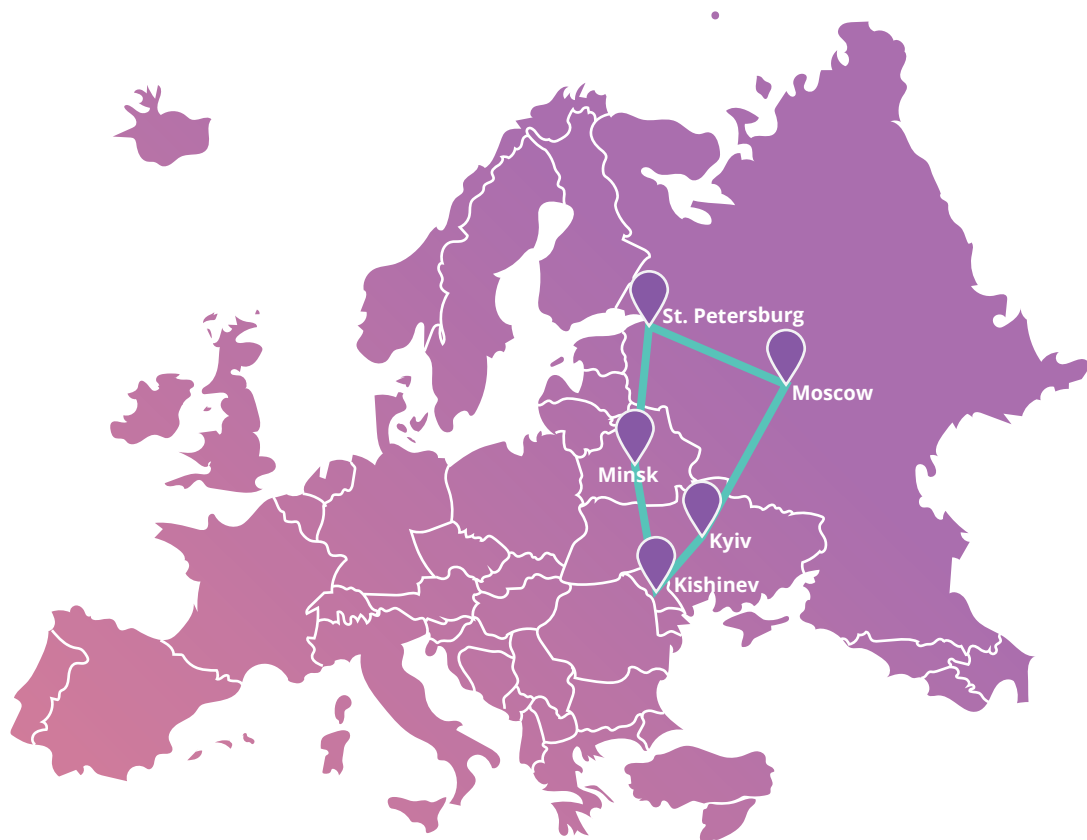


Fig. 5.13. "Concert Pentagon" for booking international artists. Built on the results of communication with promoters in the course of in-depth interviews

## Ukrainian Audience Solvency

According to experts, Ukrainian spectators can pay 400 hryvnias for a ticket to see a local artist (about 12 euros), and 1,000 hryvnias (about 30 euros) to see an international artist.

The minimum monthly salary as of September 2020 is 5,000 hryvnias<sup>129</sup> (about 151 euros). According to the State Statistics Service of Ukraine<sup>130</sup>, in the first quarter of 2020, on average Ukrainians spent about 1.9% of their income on recreation and culture. The low purchasing power of Ukrainians hinders music industry development and its stable commercialization. High competition for consumers' attention in the field of culture also reduces the regularity of spending on musical entertainment.



<sup>129</sup> Law of Ukraine "On Amendments to the Law of Ukraine on the State Budget of Ukraine for 2020": <https://zakon.rada.gov.ua/laws/show/822-20#Text>

<sup>130</sup> State Statistics Service of Ukraine (2020). Expenditures and resources of Ukrainian households in the first quarter of 2020: <http://www.ukrstat.gov.ua/>

## Impact of Quarantine Restrictions on the Live Music Industry

Since March 2020, due to the spread of the acute respiratory disease COVID-19 and introduction of quarantine restrictions, Ukrainian promoters have lost the possibility to operate stably. During the first months of spring, all activities assuming physical presence of people were banned. Only in June restrictions on seated concerts were lifted, and in August, subject to sanitary and epidemiological norms, it became possible to hold events with standing sections. Depending on the epidemic level, Ukraine was divided into color zones, which allowed the government to regulate the level of quarantine restrictions.

Due to the instability of the situation, it became difficult for promoters to plan any events. Pre-sale of tickets is no longer a guarantee for the show to be held. The reason is that the audience is uncertain whether the show will take place, doesn't want to go through the process of returning tickets, and is cautious about the possible infection. That is why the decision to go to a show is made the day before show day.

No company in the live music industry was ready to close down almost completely for such a long time. Insurance companies should have protected their business, but their policies regarding entertainment insurance programs mainly focus on property interests. In addition, in most agreements, epidemics and pandemics are not considered an insured risk.

The European community predicts that a full recovery of the live music industry will take at least 3-4 years<sup>131</sup>. In addition to the unfavorable sanitary and epidemiological situation, promoters mention the psychological reason for why the audience will not soon be ready to fully attend mass events.



<sup>131</sup> Theindustryobserver.thebrag.com (2020): Live music industry recovery could take 3-4 years: Economic report - Lars Brandle  
<https://theindustryobserver.thebrag.com/live-music-industry-recovery-covid-19-economic-report/>

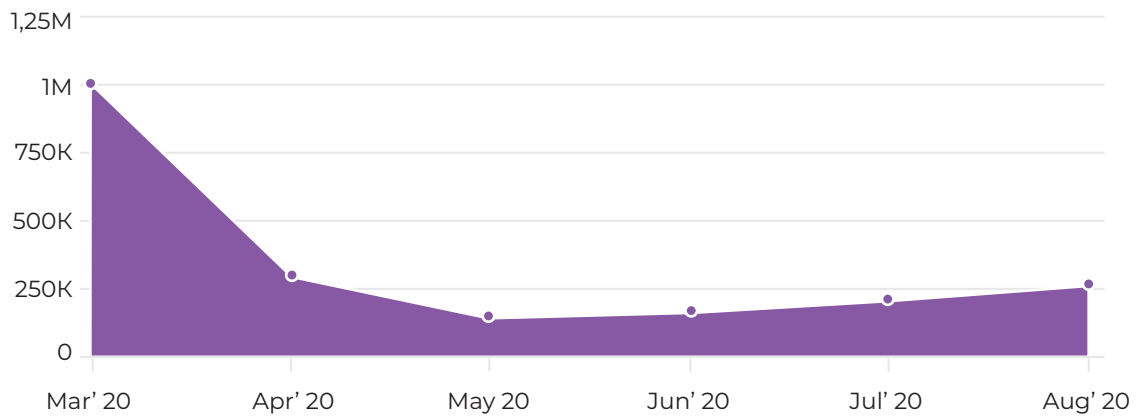


Fig. 5.14. Fall in the number of website visits of one of the largest ticket operators in Ukraine during March-August 2020 (Source: similarweb.com)

According to the survey, 94% of representatives of the live music industry of Ukraine witnessed a catastrophic (compared to their annual income) decline in profits during the first 4 months of quarantine. Over a quarter of respondents lost more than half a million hryvnias in profit.

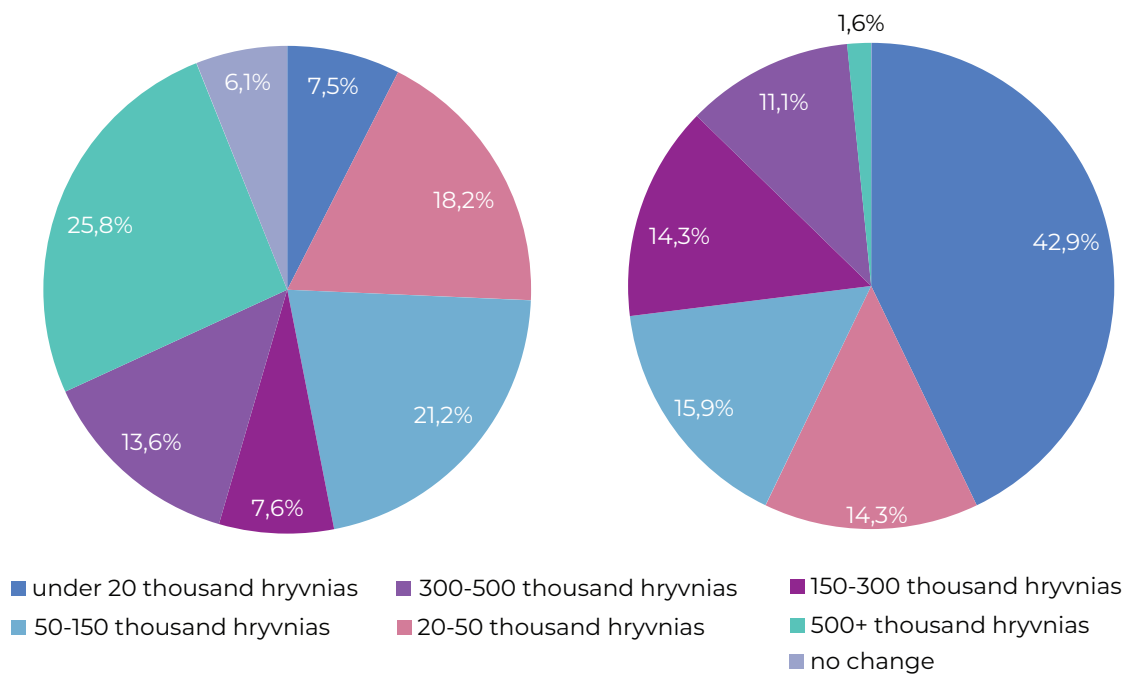


Fig. 5.15. The amount of promoters' unearned profits during March-June 2020

Fig. 5.16. The amount of promoters' unav avoidable professional loses during March-June 2020

Venue owners, music production representatives, and other players of the live music business also significantly suffer from the standstill of their equipment and staff. In addition to lost profits, they incurred a number of unavoidable expenses.

Apart from the financial losses suffered by the live music industry members, the problem of informal employment and hidden unemployment has become significant. Also, due to the reluctance to legalize their activities or lack of correct classes, a number of industry representatives were unable to obtain institutional support through grants from the Ukrainian Cultural Foundation.



## Recommendations

- Revision of Ukrainian legislation to permit touring activities for individual artists and promoters registered as IEs using the simplified taxation system to formalize a significant shadow part of the market;
- Abolition of VAT for touring activities in Ukraine;
- Construction of new concert venues with standing sections and sufficient technical support;
- Introduction of affordable loans for the live music industry from state-owned banks;
- Development of a long-term quarantine plan so that industry representatives can plan further work.





# Case study

Strichka Festival  
Brave Factory Festival

How To Create The Most  
Well-Known Electronic Music  
Events in Eastern Europe

**Serhii Yatsenko** — co-founder of the Closer art center and the Strichka Festival / Brave Factory Festival

**Alisa Mullen** — PR-director of the Closer art center and the Strichka Festival / Brave Factory Festival

**Festivals In The Numbers Of 2019**  
**Strichka (electronics)**

**6** stages  
**30** hours  
**>40** artists  
**3,5 k** guests

**Brave Factory (urban culture/experimental arts and music)**

**6** stages  
**30** hours  
**>50** artists  
**7 k** guests

## From Idea To Realization

Serhii Yatsenko has been in the concert business since 2003, so organizing festivals was the logical next step in the promotional work of the entire team of the Closer art center, which hosts electronic music parties, jazz evenings, and educational events. The first Strichka festival was held in the first year of the art center's existence. It was like a big party for friends, and over time it grew into a large festival with six stages, lasting for 30 hours, and featuring about 50 Ukrainian and international artists with a focus on electronic music. In 2020, the festival was to take place for the seventh time. During this time, it has become perhaps the most well-known electronic festival in Eastern Europe, attracting fans from all over Europe. It has featured artists such as Ross From Friends, Norm Talley, Burnt Friedma, Lena Willikens, as well as Ukrainian talents such as Nastia, Koloah, and many others. The festival still retains a certain aura of exclusivity, as it can host only up to 3.5 thousand guests in the walls of the former weaving mill at Nyzhnoyurkivska Street, 31 in Kyiv.

*Strichka's budget now is 110,000 euros. No festival breaks even right away, and this was also the case. Sometime in the fourth year, the festival wasn't unprofitable anymore, so all the income from it was put back into our activities and the organization of our new festival – Brave Factory, which takes place in August*

*Serhii Yatsenko.*

## Expansion Of Activity

The Brave Factory Festival was an attempt by the art center team to expand boundaries to all electronic and experimental genres. In addition, they wanted to include the audience that couldn't be accommodated at Nyzhnoyurkivska, as well as redefine the industrial part of Kyiv by organizing an event at the Metrobud plant. For the first year of the festival, the team brought in financial partners. Starting from the second year, they tried to use their own funds. With a budget of 450,000 euros, the festival aimed at fairly big international artists (like Dubfire, Squarepusher, Hidden Orchestra, Model 500, Modeselektor, When Saints Go Machine, and others), as well as more experimental artists, and enriched the visual component of the event with bright colors and unique art objects. Visual artists, including SVITER art-group, Hosha Potopalskyi, Dana Kosmina, Mykola Karabinovych, Kateryna Berlova, Yevhen Vashchenko use installations, sculpture, media art, and street art in their works. The biggest part of the festival's entire budget are, of course, the ticket sales. They are followed by bar sales, sponsorship packages from brands, and, for the small part, merch sales. This is a very customer-oriented business, where everyone should be satisfied.

*About 30% of the Brave Factory audience are foreign guests. They are used to buying tickets in advance, planning their trip, and this plays into our hands. When ticket presales are good, it is easier to calculate your risks, and it is also possible to invite more popular artists. We are trying to get the Ukrainian audience accustomed to this practice as well, significantly increasing prices as the event approaches (from 1,500 hryvnia during presale to 2,400 hryvnia at the door)*

*Serhii Yatsenko.*

## **Festival Team**

The festival team consists almost entirely of staff members of the Closer art center. In total, 25 people are constantly involved in the work, and during the festival a core team of 80 people coordinates everything. Due to quarantine and the postponement of major events to 2021, nine people remained in the team. The rest of the team is due to come back in February 2021, when preparations for the next festival season will begin. Due to restrictions on the entry of foreigners to Ukraine and general problems with travel during pandemic, Serhii notes that the team is considering making Strichka exclusively with Ukrainian artists, as the concept of the event already is fairly localized. At the same time, he voices a big problem with the development of the local scene. Only 5-8 new names appear in domestic electronic music per year, which is very little to be able to offer a new program every year.

*The formation of the festival's line-up is a kind of lottery. Each promoter does some sort of enlightenment. That is, they invite artists whose fees are not easy to cover, but the audience might like them, and they end up being a new discovery for the guests. At the same time, it is necessary to be pragmatic in organizing the event in order to invite those artists who will help you to break even.*

*Serhii Yatsenko.*

## **International Recognition**

It takes years to build the brand of the festival. The most effective methods are positive recommendations from visitors and artists, as well as long-term cooperation with international media. For the promotion of both festivals, the organizers invited numerous international journalists to Kyiv for press tours and personally introduced them to their events.

*For international journalists, a business trip to Ukraine is a rather exotic one. Without any commitment, we invited them to visit the festival, showing them Kyiv and telling our history. Seeing a first-class event and a strong line-up, they (The Independent, The Guardian, Mixmag, etc.) gladly write positive reviews about us and always speak warmly about Closer, Strichka, and Brave Factory.*

*In addition, we are often included in the personal “best-of” lists of DJs who played at our festivals. They note the high level of organization and a grateful audience. Accordingly, subsequent bookings are easier to do, because the artists also communicate with each other*

*Alisa Mullen.*

### **Influence of Quarantine**

Quarantine has hit the entire live music industry hard, with all major events being postponed until next year. In the summer, the team organized day parties in compliance with sanitary norms, using the summer terrace of the Forest Pier in the Closer art center, as well as its own Savage Food restaurant.

*In 2020, we have planned cool collaborations with international media. For example, Resident Advisor, the world's most famous media for electronic music, has planned to hold its 24/7 festival (one that they host in the world's best clubs) at Closer. Unfortunately, this year we had to cancel these plans.*

*Alisa Mullen*

*We hope that the quarantine restrictions will end soon, and the authorities will listen to the music community and optimize the taxation of the industry, which is now unaffordable for us. Then, we will be able to independently develop a trademark for Ukraine, one that is formed by positive impressions of our events' guests.*

*Serhii Yatsenko.*





# Case

## Live Industry 2020

photo retrieved from YULA Company Facebook page

YULA COMPANY

## Charity Marathons and Concerts

In April of 2020, WHO together with the Global Citizen movement announced the One World: Together at home marathon<sup>132</sup>. The big show was dedicated to the situation the entire world population has found themselves in, forced to stay at home due to the COVID-19 pandemic. Together with world stars, people have paid tribute to healthcare workers who save lives.

Similar online music marathons have been held in Ukraine as well: Ty Ne Odyn (You Are Not Alone), Razom Vdoma (Together At Home), Smilyve Serce (Brave Heart)<sup>133</sup>. In addition, the rock band Bez Obmezhen (No Boundaries) started an independent initiative. Their charity show Tranzytna Zona (Transit Zone) at the Boryspil International Airport helped raise money for Ukrainian doctors fighting the pandemic<sup>134</sup>.

## Online Concerts

With the introduction of restrictive measures, the consumption habits of Ukrainians have changed, and the Internet is no exception. Starting March 2020, the use of social media actively grew – Facebook by 75,6%, YouTube by 62,2%, Instagram by 50,6%<sup>135</sup>. The demand for livestreams as means of instantly reaching one's audience has grown many-fold.

Picking up the global #stayathome trend, in the spring of 2020 Ukrainian artists began to stream home performances online, using as platforms mainly Instagram and Facebook. The Hardkiss, Serhii Babkin, NK, Melovin, Fiolet, Sasha Boole, Hurt [O], Motanka, O.Torvald, and many others performed and communicated with fans. Such communication made it possible to be constantly in touch with the listeners. Some artists also have been creating entertainment content, thanks to which they received collaborations with brands.

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<sup>132</sup> WHO (2019). WHO and Global Citizen announce: 'One World: Together at home' Global Special to support healthcare workers in the fight against the COVID-19 pandemic: <https://www.who.int/news-room/detail/06-04-2020-who-and-global-citizen-announce-one-world-together-at-home-global-special-to-support-healthcare-workers-in-the-fight-against-the-covid-19-pandemic>

<sup>133</sup> Official links for the mentioned online marathons: <https://1plus1.video/ru/muzykalnyj-marafon-ty-ne-odin>, <https://letshelp.com.ua/campaign/blagodijnyj-marafon-razom-vdoma/>, <https://braveheart.online/>

<sup>134</sup> The charity show was organized in partnership with Ukrainian Philanthropic Marketplace, Boryspil International Airport and Ukraine International Airlines (UIA): <https://youtu.be/6aXrkTBUl0M>

<sup>135</sup> Sostav.ua (2020). What Ukrainians do during quarantine and what media do they use: <https://sostav.ua/publication/shcho-robyat-ta-yak-med-a-spozhyvayut-ukra-nts-na-karantin-84853.html>

*...online is a great way to see each other. Of course, the best of all is live performance, live communication. But there is a super plus in all this: a great opportunity to witness the performance from anywhere in the world*

*Oleh Skrypka, VV frontman<sup>136</sup>.*

## Online Music Marathons

For almost six months, the Ukrainian Internet space has been loaded with online music marathons. In March, online media Slukh launched the Karantin Live (“Карантин Live”) special project with streams of artists' performances on YouTube, and in May, with grant support, presented a series of concerts entitled Kultura Objednuje (“Культура об’єднує”, engl. Culture Unites)<sup>137</sup>.

The large-scale Intercity Live festival has taken online music marathons to a new level. It was initiated by the agency Kontrabass promo. Having started in the spring with 10 Ukrainian cities and 23 artists, by the end of the summer the festival brought together artists from 7 continents. In a global pandemic, the virtual cultural train was able to draw attention to contemporary independent music, and the use of digital technology has made Intercity Live truly an innovative project. Hromadske.ua and Toronto TV were the project’s information partners. The fourth Intercity Live was supported by the House of Europe program.

*During the quarantine, we managed not only to continue with the shows, but also to take them to a new level. The very fact of cool promoters from different cities of Ukraine collaborating is very valuable for culture in general. The online format opens up new opportunities to promote local art.*

*Iurii Bazaka, Kontrabass Promo agency<sup>138</sup>.*

## Development Of Online Platforms

Responding to demand, platforms for artists to stream online concerts have emerged in the Ukrainian online space. Playitplay, Ukrainian Main Stream, Hover.link offered new opportunities for the implementation of online formats, adapting them to the needs of concert promoters.

<sup>136</sup> Open.ua (2020). The band VV will hold a charity online concert, where they will play the album Zakustika: <http://open.ua/music/digest/Gurt-VV-provede-blagodiyinyi-onlayn-koncert-de-zigraie-albom-Zakustika/>

<sup>137</sup> Karantin Live online concerts: <https://slukh.media/news/slukh-quarantine-live/>

Culture Unites online concerts were supported by the United States Agency for International Development (USAID), the Ukrainian Cultural Foundation and Concert.ua: <https://slukh.media/culture-unites/>

<sup>138</sup> Open.ua (2020). “The third Intercity Live online festival to be international”:

<http://open.ua/music/digest/Tretiy-onlayn-festival-Intercity-Live-stane-mzhkontinentalnim/>



## Music Projects Transformation

Changes in the music industry in 2020 lead to business transformation. It has become extremely important to understand that a pandemic is not a short lived emergency, and it is necessary to think about transforming imposed restrictions into new opportunities. One of the reboot directions was digitalization and festival promoters were the first to work in this new reality.

In the summer of 2020, the Banderstadt Festival was held in an innovative online format and gathered almost the largest audience in the 14-year history of its existence. The festival was watched in 27 countries, and livestreams garnered a total of 625,000 views.

*Banderstadt's live audience is usually 13,000-15,000 visitors. This time, we took the opportunity to reach hundreds of thousands... we focused on quality filming and streams that can be watched at a convenient time on available online platforms...*

*Serhii Martyniuk, Banderstadt Festival art-director<sup>139</sup>.*

Respublica Fest also underwent transformations, translating part of its program into digital. For the first time, the festival cooperated with other creative sectors, taking the new reality into account. Panoramic online streams, visual projections, digital art: the entire virtual program of the festival was created in collaboration with the X-Platform Institution. This approach showed how technology can be suitable for the music industry and can influence the expansion of the festival's online audience.

*We will definitely keep the online formats, since we've done so much already... What we created this year will remain for the next year. It's both wider coverage and new audiences who enjoy virtual and augmented reality.*

*Andrii Zoin, Respublica Fest<sup>140</sup>.*

Under the hashtag #небудеалебуде (engl., "won't be but will be") the Atlas Weekend festival<sup>141</sup> was held by streaming live shows online,

<sup>139</sup> The festival was supported by the Ukrainian Cultural Foundation. Бандерштат (2020). "Banderstadt was watched in 27 countries...": <http://bandershtat.org.ua/news/interview-with-organizers/>

<sup>140</sup> The festival was supported by the Ukrainian Cultural Foundation. Official website of Respublica Fest: <http://respublicafest.com/artist/respublica-fest>  
Zaxid.net (2020). How quarantine changed festivals:

<sup>141</sup> Official website of Atlas Weekend: <https://atlasweekend.com/>

putting up a virtual stage and a “home” show. The M1 channel did a 3D-stream called Kosmichnyi Weekend (“Космічний Weekend”).

However, not only festivals showed interest in technology. In the summer of 2020, Oleh Vynnyk's online VR-concert was held at the NSC Olimpiiskyi. Viewers had the opportunity to experience the artist's live performance and to see a variety of animated digital objects in 3D that were “present” at the show. This event was the first stadium concert that could be watched exclusively on the Internet<sup>142</sup>.

### Offline Concerts. New Formats

Holding mass events during quarantine due to the spread of COVID-19 involves compliance with a number of requirements of the Ministry of Health of Ukraine<sup>143</sup>. These restrictions inspired the development of innovation and creative thinking regarding the adaptation of concerts to the new reality.

Vertical concerts is a format initiated by the band Green Grey. In June 2020, Kyiv's Hotel Bratislava was chosen as the venue for such a show. To keep the social distance, viewers were placed on the balconies of the hotel, and the musicians themselves played on the roof of the opposite office building.

*The Chinese word for crisis consists of two characters, one of which means danger and the other one means opportunity. Therefore, for me, quarantine, paradoxically, became a critical point and prompted action. I felt the opportunity, despite the danger.*

*Andrii “Dizel” Yatsenko, Green Grey<sup>144</sup>.*

Currently, all rights to the vertical concert are legally registered. According to Andriy Yatsenko, Ukrainian artists are allowed to use this format for free. In the summer of 2020, vertical concerts by Pianoboy, TNMK and O.Torvald took place on the roof of the Bratislava Hotel.

Drive-in concerts were offered by the band Bez Obmezhen (“Без Обмежень”). The artists proved the format to be viable by playing an entire Ukrainian tour. The stage was built at airfields, and the audience

<sup>142</sup> Oleh Vynnyk's online VR concert at the Olimpiysky National Sports Complex: [https://youtu.be/Lq76\\_OWdJF4](https://youtu.be/Lq76_OWdJF4)

<sup>143</sup> Ministry of Health, Resolution of the Chief State Sanitary Doctor of Ukraine (2020). About the statement of Temporary recommendations concerning the organization of anti-epidemic actions during carrying out cultural and art actions for the period of quarantine in connection with the spread of coronavirus: <https://bit.ly/3k2yxv9>

<sup>144</sup> Ukrayinska Pravda (2020). Andrii "Diezel" Yatsenko: The producer of Emmy Awards contacted us and offered to nominate our vertical concert: <https://sos.pravda.com.ua/articles/2020/09/4/7151762/>

listened to the concert sitting in their cars. During the event, people were recommended not to get out of the vehicle to avoid the violation of the quarantine rules. You could listen to the songs both by opening the windows and through the car radio, because the audio was broadcasted on a certain frequency.

Concerts on the water is another type of safe concerts tested by Oleh Kenzov, Nastia Kamenskykh (NK), Bez Obmezhen and other artists. The agency Kwartal Koncert (“Квартал-Концерт”)<sup>145</sup> built a stage in the middle of the Dnipro river on the largest barge in Kyiv, and the panoramic rooms of the Bakkara Hotel hosted the guests.



<sup>145</sup> Kwartal Koncert (Квартал-концерт): <https://www.facebook.com/kwartalconcert/>





photo retrieved from Bez Obmezhen Facebook page





A hand holding a vinyl record against a blue gradient background. The hand is positioned at the bottom, with the thumb and index finger supporting the record from underneath. The record is a dark blue color with a lighter blue center. The background is a smooth gradient from a darker blue at the top to a lighter blue at the bottom.

**VI.**

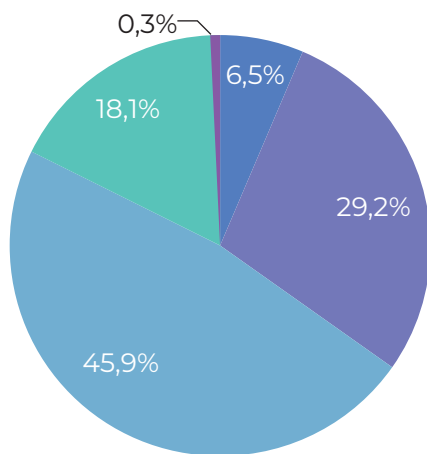
**Music Labels,  
Publishers,  
and  
Distribution**

# Operation Principles of Labels and Publishers in Ukraine

When the material is recorded, the following question arises: how do you deliver the result to the end customer and receive your income? These are tasks that labels, publishers and distributors deal with at different levels.

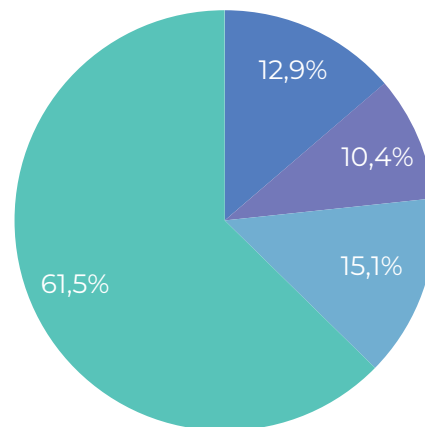
## Labels: Definition, Types, and Tasks

Over 65% of respondents assess the work of Ukrainian labels as Very Bad and Unsatisfactory. At the same time, 60% are generally interested in being signed to a label. Such a low assessment can be linked to a mismatch between expectations and real functions performed by labels today.



- Good (sufficient professional level)
- Satisfactory (covers basic needs)
- Unsatisfactory (barely any use)
- Very bad (any use)
- Excellent

Fig. 6.1 The work of music labels in Ukraine as evaluated by authors and performers.



- Yes, in Ukraine
- Yes, abroad
- No, not interested
- Not now, but interested

Fig. 6.2 Whether authors and performers have contractual arrangements with labels

For years, large music labels, in other words, sound recording companies, had a fixed set of universal functions: invest money into recording, producing physical media, distribution, marketing, management, accounting, legal representation, maintaining the artist's image, and dealing with additional costs such as video shootings and live shows. Over the years, the role and the very definition of labels is changing and diversifying faster and faster. There are many reasons for that: lowering of the price threshold for recording, music digitizing, piracy, shifting focus to digital distribution. The transition to online caused a redistribution of roles, and in Ukraine, it has acquired its own characteristics.

According to many experts surveyed in the course of the study, there are three music companies on the Ukrainian market that can be considered large labels – Mamamusic, MOZGI Entertainment, Secret Service. And even though they promote artists, not all of them are labels in the traditional sense. Each of the companies has its peculiarities.

Mamamusic and Nikitin Talent Management are a group of companies that exclusively represents the interests and manages artists such as Andrii Danylko and Olha Horbachova, as well as deals with production and promotion for KAZKA, NuAngels, and NIKITA. For 20 years, Mamamusic was a producer's center, however, today its general director Iurii Nikitin has divided the functions between two companies: Mamamusic is now publisher and distributor, independently or in partnership with digital distributors, while Nikitin Talent Management focuses on artist management. This way, they guarantee full support: PR and promotion, tour activities, publishing, distribution, legal representation, the sale of rights for using the artist's image in sponsored and advertising activities. The group of companies works only with artists mentioned above. Nikitin stressed that this allows for 360 ° support, and not just signing artists for a share of profits, but investing in their own brands.

MOZGI Entertainment is a producer's center that represents the interests of artists such as Vremya i Steklo (Время и Стекло), MOZGI, Michelle Andrade, and Ingret. In the past two years, the center grew into a group of companies under the name MOZGI Group. Six divisions — Entertainment, Production, Studio, Shop, Event та Ideas — allow creating integrated advertising campaigns, organize events, shoot videos, record music, and fully deal with production and promotion of the artists in whom the label invests<sup>146</sup>.

The Secret Service management agency does not position itself as a label, but focuses on the service model. General director Mykhailo Yasynskyi believes that this is the model of the future in the music business, as the new generation of artists does not look for producers and managers in the traditional meaning, they look for partners and assistants who will do high-quality work for them with minimum intrusion into their creative activities. The main cooperation type goes as follows: the agency takes on exclusive work on the organization of the artist's commercial activity and provides him with 360°-services (PR and promotion, digital marketing, live shows, legal representation, creative assistance regarding music material and artist brand) and receives a fixed fee. The fee varies between 20-40%, depending on the artist's status, previous work, and potential workload. Artists like Max Barskih, Olya Polyakova, Jerry Heil, and TAYANNA already work with the agency under a contract that includes the full cycle of services,

<sup>146</sup> Mozgi Group Official Website: <https://mozgi.ua/#about>

while others can address the agency with individual requests. Recently, the agency launched a new subdivision, Secret Service Publishing & Digital, in order to perform most of the publishing functions independently, leaving it to the partner publisher to collect fees for public use.

Many industry representatives name Masterskaya as the flagship among independent labels. This is a blend of a label, an education center, live venue, a studio, and a rendezvous spot for artists united by the scene. The company positions itself as a “community center”. More on that in the Case subsection.

The number of DIY-labels in Ukraine is constantly growing. In the course of the study, we managed to examine the work of approx. 60 small labels, more than half of them participated in the survey. An average small label in Ukraine<sup>147</sup> is a company with 1-2 employees that promote 3-6 niche artist. About 70% of such companies are focused on electronic music.

Over 80% of labels say that they invest their own money into the development of their own artists, set goals and divide the income. One in five labels provides paid services, i.e. works within the service model. Only 62.5% of small labels sign contracts with artists under their care, the rest work based on trust.

About 90% of small labels provide their artists with PR and promotional services and digital distribution. 47% organize shows. Also 47% of labels release their artists’ music on vinyl. Only one in seven labels says it provides legal representation of their artists. And only a handful of labels are working on attracting sponsorships or licensing music for film and advertising.

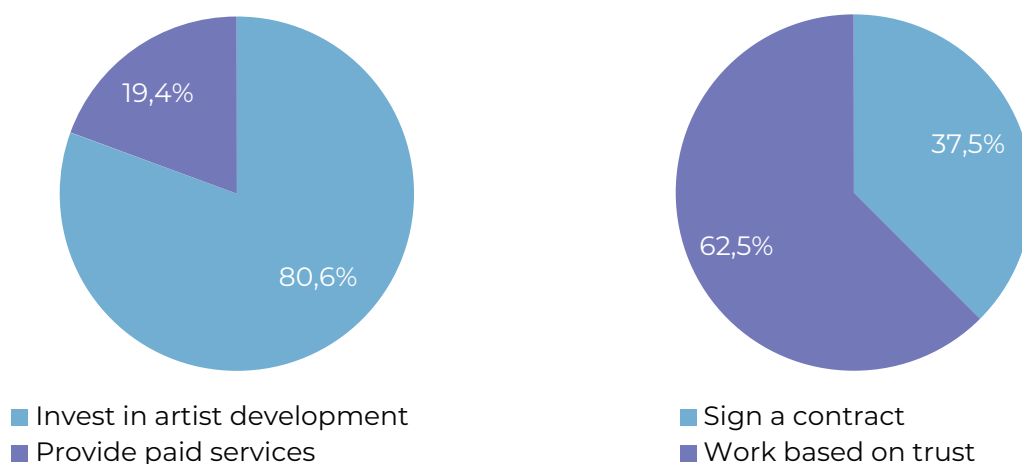


Fig. 6.3 Conditions for label-artist cooperation

<sup>147</sup> Based on the data obtained from the additional survey for labels

In some cases, a label is started to fit one particular artist. This allows the artist and their management to control most of the work processes and occasionally to promote new artists on the market. Enjoy! Records (Jamala), Susy Records (Okean Elzy (Океан Ельзи)), Muzyka dlya mas (Музыка для мас) (Boombox (Бумбокс)).

Another type of music companies consists of those working on the market since the '90s and early '00s. However, according to experts, they do not invest in artist development, and rather deal with publishing, distribution, and licensing. Moon Records, Comp Music, and Lavina Music are some of them.

According to Andrii Zaitsev, Believe Digital artist relations manager in Ukraine, Black Beats is one of the new labels that can make a difference on the market in the nearest future. It is a Kyiv-based company that publishes 4-5 tracks per week on their Youtube channel and has already promoted numerous Russian and Ukrainian pop-rap artists this way. Boasting 2,25 million subscribers, the vlog has published 200 releases with the number of views ranging from 260,000 to 227 million. Black Beats reserves the right to indefinite monetization of Youtube videos, thus, collecting income from advertising put up on these videos by the platform. Basically, the Youtube-channel became a distributor, an influential PR-platform, and co-owner of the rights, securing the status of a label.

To conclude, a label in Ukraine is first of all a company that invests money in artists, releases their music, promotes them and receives a revenue share. However, nowadays almost every company offering artist promotion and production is called a label. The details depend on the number of people involved, resources and tasks. But regardless of the niche and commercial level, labels still play a significant role in artist development and audience acquisition.



## Publisher's Functions

No author is able to independently monitor the legitimacy of the use of their work, as controlling diversified channels of music distribution requires too much time and resources. On top of this, authors in Ukraine are mostly not interested in managing rights themselves – more on this in the section Authors and Performers. In such cases, they can through organizations of collective management or through a designated agent – a company that acts as a publisher, by receiving the rights and managing them.

According to publishers, artist themselves often confuse the notions of labels and publishers. While labels offer investments, promotion, legal representation, and a wide range of other services, publishers deliver a closed cycle of work associated with the copyright and related rights in the first place. They help artists handle legal issues regarding protecting and distributing property rights and sign agreements to transfer exclusive property rights for a certain period and a certain area. Becoming rights owners, publishers manage them by selling and licensing music and music videos. A publisher's main task is to effectively exercise the rights, sign all necessary agreements, receive royalties, and pay them to artists. At the same time, Ukrainian publishers also often offer promotion and distribution. For instance, Best Music has 4,000 songs and 250 artists on their local catalog. In addition to managing

rights, the company distributes music across digital platforms (in cooperation with distributors) and through mobile content, arranges for promotion on digital platforms, helps artists plan their premieres, and create a press kit.

Local publishers also represent the interests of international labels in Ukraine. In particular, Best Music exercises and protects the rights of the artists signed to Warner Music, and Comp Music Publishing is a licensee of the global music company Universal Music Group. Reverse agreements also exist: for example, the agreement between Comp Music and the leading global publisher Sony/ATV allows registering songs from the Ukrainian catalog in the international base. After this, Sony/ATV is responsible for collecting royalties and fees from use and licensing abroad.

## Dynamics and Prospects of Music Publishing

According to Viktoriia Zemlynska, deputy director of the publisher Best Music, the publishing sector developed very rapidly in 2018-2019. She suggests that the Law On Amending the Law of Ukraine On Television and Broadcasting (regarding the share of songs in the state language in music radio shows) affected this in a way. The law took effect on November, 8, 2016, and set radio quotas for songs in Ukrainian and presenting shows in Ukrainian<sup>148</sup>. The artists started recording songs in Ukrainian en masse, and the competition began to grow.

According to Article 2 of the Law of Ukraine On Television and Broadcasting, the minimum share of songs in Ukraine in the first year was 25%, 30% in the second year, 35% during the third. In June, the National Council of Television and Radio Broadcasting of Ukraine published the results of the monitoring of the implementation of legal requirements regarding language quotas by regional and local radio stations in the first half of 2020.

These results showed a significant over-fulfillment of quotas: the average amount of songs in Ukrainian was at 54%, and the amount of shows in Ukrainian was at 94%. In total, the representatives of the National Council conducted 223 broadcasting monitorings, having tracked over 5,000 hours<sup>149</sup>. According to their data, before 2016 the share of songs in the state language played by network radio stations amounted to less than 18%<sup>150</sup>. However, it should be added that not everyone notes the benefits of quotas: 75% of musicians surveyed said that the changes in radio broadcasting did not affect their work.

According to the team of Radio Aristocrats who annually searches for, listens to and archives all new albums and EPs released by Ukrainians (locally or abroad), there were 416 releases in their register in 2018. In 2019, there were 622<sup>151</sup>.

*Iurii Nikitin* finds the Ukrainian market one of the most dynamically and qualitatively growing in Eastern Europe.

<sup>148</sup> The Law of Ukraine on Amending Certain Laws of Ukraine Regarding the Share of Music Works in Ukrainian in Radio and Television Programs: <https://zakon.rada.gov.ua/rada/show/1421-viii>

<sup>149</sup> nrada.gov.ua (2020). The National Council reports on the fulfillment of language quotas on television and broadcasting on the first half of this year: <https://www.nrada.gov.ua/natsionalna-rada-zvituye-pro-vykonannya-movnyh-kvot-v-efiri-telekanaliv-radiostan-tsjj-u-pershomu-pivrichchi-tsogo-roku/>

<sup>150</sup> Due to the introduction of quotas on the radio, the share of songs in the state language has doubled compared to 2015:

<https://www.nrada.gov.ua/cherez-vprovadzheniya-kvot-na-radio-chastka-pisen-derzhavnoyu-movoyu-porivny-ano-z-2015-rokom-vyrosla-udvichi/>

<sup>151</sup> Texty.org.ua (2020). All Ukrainian music from 2019 and 2018: <https://texty.org.ua/d/2019/aprize/>

*We have a lot of different music and a lot of niche independent product that becomes popular. If we look at big artists now, most of them started out as niche artists, which is a great tendency. Anyone who plays unusual music has good chances to take their art to wider masses and earn good money with that.*

As seen with Best Music, in the first half of 2020 production volumes have decreased by 10%. But Viktoriia Zemlynska points out that this is not a large number and predicts a return to previous figures by early 2021, and from then the market will grow again:

*At the beginning of the pandemic, the dynamics of releasing new music dropped, as artists didn't know how to do it better and whether to do it at all. It was a difficult situation for all of us. However, starting July, listeners became more active, artists returned with new ideas, and started releasing new material en masse. Fall has always been a busy season for new music, and this year won't be an exception. A significant number of artists are planning new albums, songs, and music videos. These releases will start working and growing an audience.*

Victoria Zemlynska

Despite the increase in the total amount of Ukrainian music products, experts emphasize that the market still lacks local commercially successful artists. Mykhailo Yasynskyi is convinced that this crisis will only grow taken over by Russian content.

*The Ukrainian market is not ready to systematically create something new. There is a great danger that against this background more organized, aggressive artists will come back, first of all from Russia. They will sing songs written by Ukrainian authors, arranged by Ukrainian producers, with videos by Ukrainian creators, but for an audience that is part of a different economy. This is a big problem, one that we have to start solving now.*

Experts see the first step towards the solution in establishing rules for the music market, emphasizing that this process is only possible within a dialog between state and the industry.

## Specifics of the Transition to Digital Distribution

### Specifics of Digital Platforms

Among the sources of income for authors and performers in Ukraine, streaming and digital sales of music rank fourth and fifth after shows in Ukraine, teaching music and shows abroad. In addition to income, distribution lets artists remotely connect with their audience, and a transition to digital distribution has made this process significantly easier. A smart approach to distribution increases an artist's performance on platforms, allowing them to expose their music to the widest possible audience, and get the most out of it.

However, digital platforms do not accept music from artists directly. It is more convenient for them to work with a couple of dozens of proven distributors, getting an already filtered and properly packaged product. Ukrainian labels and publishers also put up music on digital platforms through digital distributors. Further on, labels and publishers can independently negotiate with platforms to have the artists promoted by getting into editorial playlists, given the presence of a local editor.

There are two most common ways in which digital distributors work. One of them includes a fixed fee for the distribution of a single or an album, while the artist receives 100% of the income

from sales and streaming. The fee is charged once or over a certain period of time (but stopping payments would lead to the music being deleted from the platforms). Fixed payments for an unlimited number of releases is also possible. The other option is that the distributor takes a percentage of the profit and offers the artist different cooperation packages, on which the amount of this percentage depends.

An important nuance of payments is that streaming services do not pay a fixed amount for listening, but calculate the cost according to formulas based on closed data. In particular, the calculation takes into account the total number of streams on the platform for a certain period of time, as well as the number of streams for a particular artist during this time. Whether a user has a premium subscription or a free version, and how much the subscription costs in their country is also important<sup>152</sup>. This means that the same number of streams during one quarter can bring more income than during the other, and streams in Ukraine translate in a different amount than in the US or the UK. At the moment, in Ukraine all major streaming platforms – Apple Music, YouTube Music, Google Play Music, Deezer, Spotify – offer subscriptions cheaper by 40–60% than in key markets. Such an approach allows them to effectively enter markets with different economies.

## Music Streaming in Ukraine

In 2019, the number of paid subscribers to music streaming platforms in Ukraine has grown from 0.3% to 0.9% of the population, says a representative of Believe. First of all, this is due to YouTube Music entering the market and the addition of a family subscription on Apple Music. In the nearest future, a significant increase in numbers is expected, mostly due to Spotify entering the market as well.

If we talk about the amount of payments from different streaming platforms, according to experts, Ukrainian artists receive the most deductions from Apple Music. It is followed by YouTube Music (as well as Google Play Music, which will merge with YouTube Music by December 2020). Ranking next is Deezer.

The local launch of Spotify on July, 15, is supposed to change the situation dramatically. A proper evaluation of the impact will be possible in 2021, but even after two months we can see a significant increase in the number of subscribers of some Ukrainian artists who often make it onto the top-lists of streaming platforms in Ukraine. For instance, Monatik's number of subscribers grew by 190% in two months and now amounts to 404,630. Alyona Alyona's numbers grew by 330% and now amount to 105,570, The Hardkiss' numbers grew by 350% and amount to 102,870.

From the experience of Oleksandr Varenysia, founder of the Mnogo Vody agency and Popcycle Records, a release of an indie artist

in Ukraine can get around 30,000-50,000 streams on streaming platforms during the period of activity, until the dynamics decline. An indie artist of the leading echelon can expect 100,000-250,000 streams. At the same time, one song of an artist from the second echelon can get 100,000 streams and more, and the entire catalog of a successful popstar can get 10 or even 20 million streams per year. Varenysia also notes the gap between pop music and the so-called indie scene. All this is influenced by numerous factors such as Top 100 playlists, Ukrainian Hits, New Releases, tops of popular videos on Youtube, similar videos, radio stations, the Shazam top – data from one platform affect the others, and all this shapes the culture of passive content consumption.

Despite all the hurdles, experts from labels, publishing and distribution agree that stable earnings from streaming in Ukraine are possible and accessible. If an artist has been active for a long time, has releases planned for at least a year, a detailed touring schedule, as well as a media and advertising presence, – all this will allow them to constantly earn with streaming, and every new song will add to the income. The range can be very wide: one song can earn from 0.1 hryvnias to 100,000 hryvnias per quarter. If we take the entire song catalog of an actively working artist, it may bring in up to 1 billion hryvnias per year.



Artists who have been consistently working for 4-5 years, who are in rotation, release videos, maintain a certain level of popularity with the audience, but don't surpass themselves, earn 20,000-30,000 hryvnias per quarter from digital platforms, but never, say, 70,000. Such artists occupy a small niche, they have their content and audience, but they will never increase their income. To do that, you need to outgrow yourself creatively. An artist has to constantly modernize their material, search for new authors, new songs, collaborations, and ideas. An artist who regularly changes and collaborates will earn more and more with their catalog. It can be 10,000 now, and 100,000 in a year.

An entirely different story is also possible. If the song is successful, it can pay for itself regardless of whether the artist is new or has already made a name for themselves. Usually, digital platforms offer certain packages that help promoting certain releases. However, we had cases when tracks didn't get the initial promotion, but the audience liked it, heard it from other sources (like the radio, online-media, or advertising, if the artist invested in it), and got back to it. Then, the song started working. Platforms picked it up as well, promoted independently, and the income grew

Victoria Zemlynska

*Iurii Nikitin* notes the importance of international listeners on streaming platforms. If an artist has an international audience, especially from economically developed countries, it can be much more profitable. In particular, for the KAZKA project, streaming has become the main source of income.

If we widen the range and go from pop-music to other genres, Ukrainian hip-hop and rock music also have artists who earn a decent income from digital platforms, says Andrii Zaitsev. In particular, he mentions Alyona Alyona in hip-hop, and the Dnipro-based Smetana Band (Сметана Band). However, according to his observations Ukrainian artists show little understanding of how digital services work and little desire to learn about it:

We had to explain to many artists what algorithms platforms use, what a promotional plan is, how often you have to release something, why you have to deliver content two weeks prior to release, why the cover has to be in a layered file, why do they need high-quality images where the artist visible. Every week, I have to explain to artists and even labels what they did wrong.

Andriy Zaitsev

The Ukrainian market remains focused on live shows, but the promotion of streaming services in Ukraine is of great value to the industry. The experiences of more developed European markets in the first half of 2020 proves this despite drops in physical sales. It is worth noting that these are countries where users pay the full price for streaming subscriptions.

Country	The market for recorded music financial equivalent in the first half of 2020, million	Dynamics of market growth in one year	The share of streaming in the market structure in the first half of 2020	Increase in the share of streaming in one year
Germany <sup>153</sup>	783,7	4,8%	65,7%	9,3%
France <sup>154</sup>	279	0,4%	80%	17,7%
Italy <sup>155</sup>	87,97	2,1%	82%	26,4%

Fig. 6.4 Development dynamics of recorded music in some countries in the first half of 2020

*Now is the moment of a great transition, – says Iurii Nikitin. – We all have to understand that shows aren't the main source of income anymore. For now, they stopped earning profit because of the pandemic, but generally they are once again relegated to the background, giving way to digital platforms.*

Iurii Nikitin

<sup>153</sup> Musikindustrie IM 1. Halbjahr 2020 Gewachsen. Bundesverband Musikindustrie e.V. (BVMI): <https://www.musikindustrie.de/presse/presseinformationen/bvmi-halbjahresbilanz>

<sup>154</sup> Musique Enregistrée. Les performances du premier semestre 2020: <https://snepmusique.com/wp-content/uploads/2020/09/DP-1er-semestre-2020-HD.pdf>

<sup>155</sup> Music Business Worldwide (2020). Italy's recorded music industry grew 2.1% in H1 2020, with streaming up 26.4%: <https://www.musicbusinessworldwide.com/italys-recorded-music-industry-grew-2-1-in-h1-2020-with-streaming-up-26-4/>



## Ukrainian Vinyl as a Cultural Product

While digital platforms are gaining strength, the situation on the market of physical media is changing. Surveyed experts agree that CDs barely bring any income and are rather souvenirs to remember live shows by, while vinyl sales have grown in the past few years.

47% of surveyed small labels in Ukraine press and distribute their releases on vinyl. However, the volumes of the local market remain insignificant. According to experts, Ukrainian artists who release their music on vinyl, most often press 300 copies and sell it within one to three years. Success depends primarily on touring and sales during shows. Under such circumstances, it is more a matter of producing and distributing an artifact related to the artist than a significant source of income. In some cases, artists sell more than 500 copies, but there are those who are able to sell a thousand records. Vinyl publisher and founder of the label Aby Sho Music Andrii Smirnov gives a few examples. For instance, all 600 copies of Alyona Alyona's debut album *Pushka* ("Пушка") were sold out within a year with a lot of noise and requests for a reissue. *DakhaBraka's* album *Shlyakh* ("Шлях") sold over 1,000 copies, which was possible in part because half of it was bought by their international audience.

This is not an isolated example of a significant demand for the Ukrainian vinyl industry abroad

which accounts for a significant share of sales. According to experts, almost none of the small Ukrainian labels that release electronic music on vinyl even import the pressings to Ukraine. They usually have contracts with European distributors who distribute the whole pressing in other countries, with an exception of about a dozen copies.

In Ukraine, earning money with vinyl sales is complicated due to logistics taking 40–50% of its value. Artists and labels are forced to include it into the price, also taking into account the purchasing power of the audience. Tax cuts could offset this significantly, however they do not exist at the moment. "If a Ukrainian cultural product recorded by Ukrainian artists is produced at facilities outside of the country, it should be imported without any fees or VAT", says Smirnov.

## CMO Issues As Seen by Music Publishing

The ideas on the state of the market expressed by representatives of labels, publishers, and distributors, are consistent with the materials in the section Copyright and Related Rights Issues in Ukraine. Experts speak of an uncertain situation with collective management organizations. But while there are accredited organizations dealing with related rights, copyright management remains a burning issue. As of 2020, the accreditation process has not been completed, thus, the royalty market remains unregulated.

The lack of a single technical system for data processing and reporting is another factor that significantly complicates and slows down the payment process. At the moment, users submit a large amount of reports to the CMOs in free form, text documents or sheets, and there is no single guide on report structure or contents. Then, CMO managers manually process the received data for a long time. Formalizing the documents in one format and style can take months. CMO managers don't have enough information and cannot identify rights owners of each position, which is why they send summarized reports to the rights holders for verification. Checking against publisher and label catalogs takes a few more months. One may get a chance to receive their royalties after six months. Some CMOs tried to

develop software that would solve the problem, but none of them has such software as of now. Therefore, data processing is done the same way as ten years ago.

In addition, the low culture of intellectual property consumption among clients is mentioned more than once.

*Cafes, bars, restaurants, shopping malls, show promoters, everyone wants to save money, make arrangements, to manage with minimum costs. There are TV-channels and radio stations that do not want to pay for using the content. This leads to large amounts of money not reaching the CMOs, and respectively, and the authors.*

*Victoria Zemlynska*

## Recommendations

- Completing the reform in the field of collective management of copyright and related rights, in particular, accreditation of CMOs in the fields of public performance and notification.
- Developing a unified technical system of data processing and reporting on royalties.
- Fighting music piracy and promoting the legal consumption of music among listeners.





VII.

Ukraine's  
music  
industry  
export  
potential

## Definition of Music Export

Music export is an activity carried out by an artist or music company in order to make a profit beyond a country's national borders<sup>156</sup>. In countries with well-developed music industries, export exists in the form of the following business models:

- The B2C (business-to-consumer) model works for the end-user demonstrating commercial relationships between the artist and the listener. This model uses such operative tools as concerts, participation in showcase festivals, interacting with the audience through social networks, cooperation with the media, TV and radio rotation, listening to Ukrainian music on foreign streaming services, etc.. This study focuses on the B2C model.

- The B2B (business-to-business) model does not work for the end user but for the customer company, i.e. another business. In terms of music export, this means providing services to foreign organizations: creating soundtracks and jingles, scoring, music licensing, etc.

In Ukraine, the export potential of music has never been seen from an economic perspective. It was not until 2018 that the term creative industry was enshrined in law, where music is listed as its integral part. However, as noted in other sections, it is important to realize that creative industry and music industry are not identical or interchangeable in all areas. In developed economies, it is the music industry that produces a vast amount of viable music, which is then distributed to foreign markets. Such operations are regulated legally, whereas music export is recognized as a separate entity in foreign economic policy.

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<sup>156</sup> Music Moves Europe - A European music export strategy (2019), p.6

## Demand for Ukrainian Music

Demand is a variable that depends on listeners' tastes, income, expectations, and traditions. Since music export is demand-based, it can develop in two different ways – by responding to demand or by generating it. Depending on the goals set, these two vectors can change and complement each other.

### Responding to Demand

Traditionally, international demand for Ukrainian music is formed by the Ukrainian diaspora<sup>157</sup>. Maintaining a lasting connection with the Ukrainians abroad is one of the focal points of Ukraine's foreign policy. The diaspora not only actively consumes Ukrainian music but also promotes its export.

One of the illustrative examples is the foundation Ukrainians in the Netherlands that took part in organizing shows for The Hardkiss, Kazka, and Одын V Каное (Один в Каное) in 2019<sup>158</sup>. The Global Ukraine network, which positions itself as an agent of image policy and promotion of Ukraine's interests in the world, has launched the project Undiscovered Ukraine. It tells about Ukrainian brands, including artists Onuka and DakhaBrakha<sup>159</sup>.

The music industry aims to meet the diaspora's demand for modern Ukrainian music. The USA-based agency Bugz Entertainment<sup>160</sup> has organized North American tours for Океан Ельзи (Океан Ельзи), МОНАТИК, VV (ВВ), Олія Поліакова (Оля Полякова), Тіна Карол (Тіна Кароль), Іван Дорн (Іван Дорн), and others. In an interview, the founder of Bugz Entertainment Ігор Holubchuk says that a show of a Ukrainian artist abroad can attract from several hundred up to two-three and sometimes even five thousand listeners, depending on their popularity.

*We focus on people's interest and constantly keep an eye on what is happening in the Ukrainian show business. However, there is no way we immediately arrange a tour for a brand new artist. They have to take off first.*

*Ihor Holubchuk, Founder of Bugz Entertainment.*

<sup>157</sup> Ukrainian community worldwide (2019):

<https://germany.mfa.gov.ua/pro-ukrayinu/zakordonni-ukrayinci/ukrayinska-gromada-v-krayinah-svitu>

<sup>158</sup> Ukrinform (2019). The Hardkiss та Kazka concerts in the Hague:

[https://www.ukrinform.ua/rubric-diaspora/2727133-u-niderlandah-vistupili-the-hardkiss.html?fbclid=IwAR1rUKPmsn1UCr8eyT\\_Cwox8JNSq8Euik1p8ULm8zfnM\\_-EWm1i6OiUZQ98](https://www.ukrinform.ua/rubric-diaspora/2727133-u-niderlandah-vistupili-the-hardkiss.html?fbclid=IwAR1rUKPmsn1UCr8eyT_Cwox8JNSq8Euik1p8ULm8zfnM_-EWm1i6OiUZQ98),

<https://www.ukrinform.ua/rubric-diaspora/2653829-ukrayinska-kazka-vistupila-v-niderlandah.html?fbclid=IwAR1cDs5I00UN5HdglpHSGbtKVwohL5QYCOEXJgop5LasYH2q8LqXpKbQb54>

<sup>159</sup> Undiscovered Ukraine. Invite Us: <https://www.global-ukraine.org/explore/invite-us>

<sup>160</sup> Bugz Entertainment: <https://www.bugzentertainment.com/>



## Generation of Demand

There is a hypothesis that foreigners are not interested in Ukraine for they do not think about it.

*Similarly, Ukrainians may not think about artists from countries outside of their information field or those geographically far away. It's not that we're not interested. Demand must be formed. Then, the engagement of the international audience will grow.*

*Iryna Prokofieva, Ukrainian Institute.*

Generating demand for Ukrainian music abroad is possible on condition that there is a relevant music product which will be able to grab listeners' attention. It is also essential to have a well-planned competitive strategy. Today, public and private institutions exporting Ukrainian music use mainly the advertising strategy stimulating demand through incentives like running advertising campaigns, participating in showcases, festivals, cultural exchanges, etc.. Less common is the innovative strategy when foreign markets are offered music that is fundamentally different from that in their countries. Concerts targeted at the local audience instead of the diaspora are used as the main tool.

*If DakhaBrakha had been touring America or Europe for more than 40 years, the situation with our music industry would have been completely different. There are always trailblazers who pave the way, and others follow them.*

*Sasha Boole, singer-songwriter.*

At present, neither public institutions nor private initiatives use the expansionist strategy aimed at squeezing out rivals from a certain market. Such a strategy must be backed by the high potential of a country's music industry and significant financial investment.

The cultural policy of many countries is formed with an emphasis on the development and promotion of their own music. In such countries, state support for music is provided through grant programs, music quotas, institutional support, while music export policy is implemented by cultural institutions around the world. All this creates favorable conditions for industry growth and forms the nation's interest in their own music product. As of August 2020, the top 10 performers by the number of plays per month on Spotify included 7 local artists in Germany, 6 in the UK, and 10 in Poland. For comparison: in Ukraine, 5 of the artists were from Russia<sup>161</sup>.

<sup>161</sup> According to Chartmetric. The study reflects average values of a chart analysis in 5 largest cities of each country.

## Foreign Markets for Music Export and Choice Factors

Among the artists who took part in the survey during the study, 18.7% said that they focus on the markets of Western and Central Europe. However, there is another notable figure – 1% of respondents believe they can work anywhere in the world. At first glance, 1% is a critically low figure, but this is where the big prejudice about music export begins.

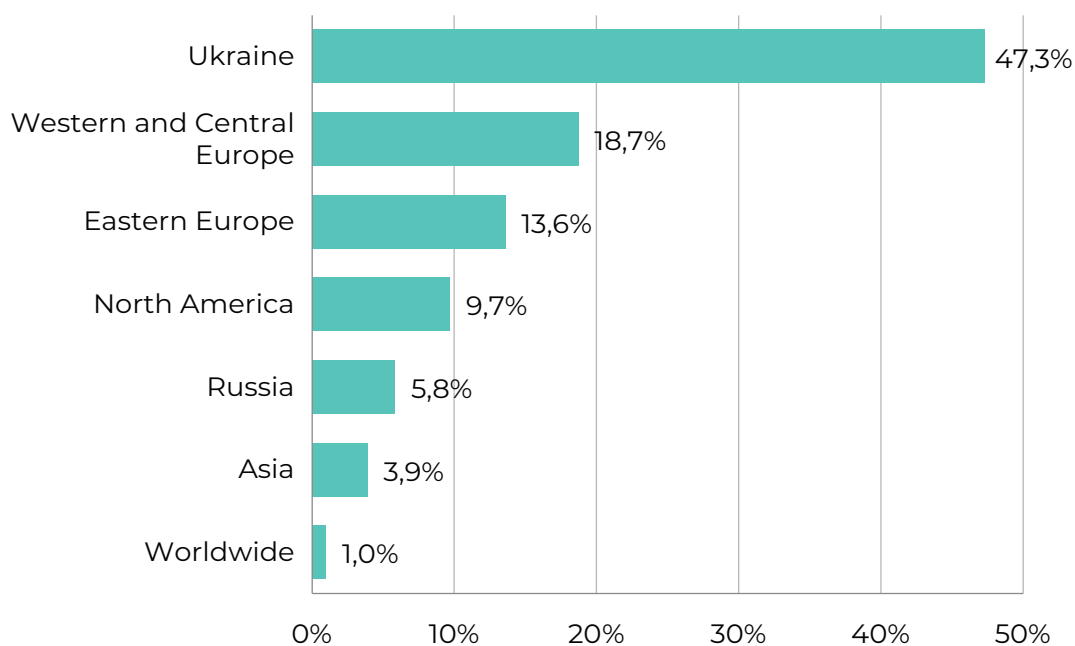


Fig.7.1. Markets where Ukrainian artists work.

With growing digitalization, the idea of a globalized music market and reaching listeners anywhere in the world has spread among artists. However, despite internationalization, the export strategy works more effectively when the launch area is deliberately narrowed. The artist may choose one or more countries that historically have closer economic, social, and cultural ties such as:

- Visegrad Four (Poland, Hungary, Czech Republic, Slovakia)
- Baltic States (Estonia, Latvia, Lithuania)
- Benelux (Belgium, Netherlands, Luxembourg)
- Former Yugoslavian Countries (Slovenia, Serbia, Northern Macedonia, Montenegro, Croatia, Bosnia and Herzegovina)

“  
The first thing we look at when choosing countries for export is the listening statistics of our music, feedback on social networks, and the general reaction of the audience. We now understand that it is better to focus on neighboring countries. Poland, Hungary, Slovakia are similar to us in terms of mentality and music. The Baltics are also important to us. There’s an audience that listens and understands, yet mentally is already pro-European.

*Kateryna Maliukova, Ivan Dorn’s manager.*

It is worth noting that countries with well-developed music markets (USA, UK, China, Korea, etc.) are difficult to combine with others, thus entering these markets requires careful study of their specifics and preparation of an export strategy.

## Language Issue

*We have already organized two and a half North American tours (16 shows) for MONATIK, and I saw excited teens who listened to his music and danced without understanding the language. After the show, they said: "It's awesome! What language is it? Doesn't matter! That's sick!"*

*Igor Holubchyk, Bugz Entertainment agency.*

The export of Ukrainian music is often associated with the language issue. There is a prejudice that only an English song can catch attention. Yet still, the real state of affairs is not so simple. More than 2 billion registered users watch YouTube every month<sup>162</sup>, of which 77% use the platform for listening to music<sup>163</sup>. Given this amount of traffic, the YouTube music chart can be seen as unbiased, because the mechanics of getting there is extremely transparent and is based on the number of views.

- 2015. 0 non-English songs among the world's top 10<sup>164</sup>;
- 2019. 7 non-English songs among the world's top 10<sup>165</sup>.

Such dynamics gives space for growth to artists who prefer singing in their native language. Note that YouTube indicators should not be blindly extrapolated to other streaming services. For instance, the top 10 songs on Spotify are still mostly English.

Another example of linguistic diversity is the Music Moves Europe Talent Awards, an EU initiative established to support new European music. Each year, eight young artists receive an award for being internationally recognized<sup>166</sup>. In 2019, the contestants sang in Spanish, German, Lithuanian, Icelandic, in 2020, Creole and Duala were included<sup>167</sup>.

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<sup>162</sup> YouTube for press: <https://www.YouTube.com/about/press/>

<sup>163</sup> Musically (2019). Music listening in 2019: 10 takeaways from the IFPI's new report: <https://musically.com/2019/09/24/music-listening-2019-ifpi-report/>

<sup>164</sup> Kwordb.net (2015). Most viewed YouTube videos in 2015: [https://kwordb.net/YouTube/topvideos\\_published\\_2015.html](https://kwordb.net/YouTube/topvideos_published_2015.html)

<sup>165</sup> Kwordb.net (2019). Most viewed YouTube videos in 2019: [https://kwordb.net/YouTube/topvideos\\_published\\_2019.html](https://kwordb.net/YouTube/topvideos_published_2019.html)

<sup>166</sup> Music Moves Europe: <https://musicmoveseuropetalentawards.eu/about/>

<sup>167</sup> MMETA nominees 2020: <https://musicmoveseuropetalentawards.eu/nominees/2020>

Between 2017 and 2020, 36 Ukrainian artists participated in European showcase festivals<sup>168</sup>. Although the vast majority uses both English and Ukrainian in their repertoire, the percentage of these songs may vary in the setlist depending on the country and audience. Sometimes, a more creative approach is used – for example, Dakh Daughters show subtitles in the language of the country where they perform.

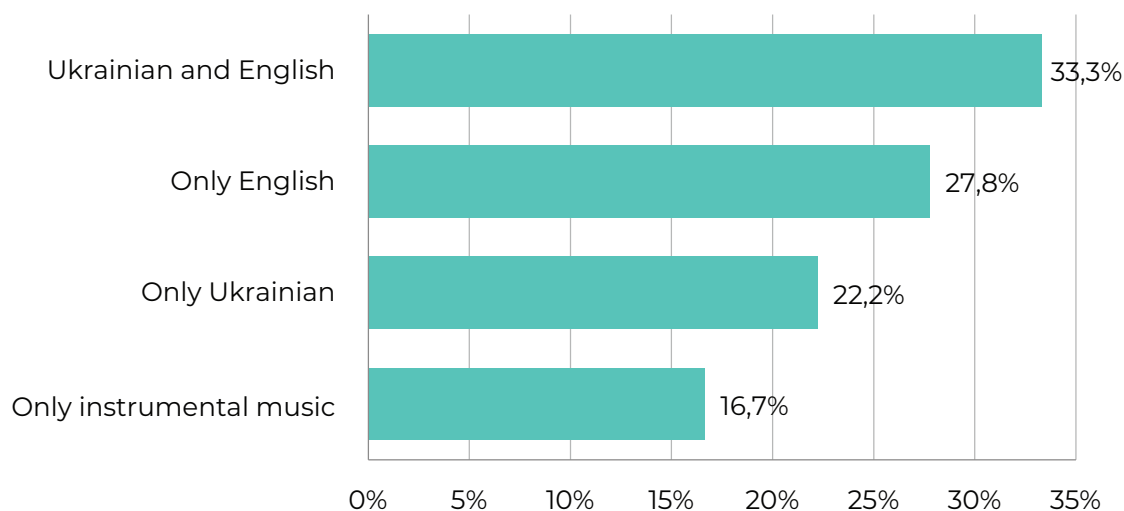


Fig. 7.2. Language in the repertoire of Ukrainian artists that performed at the European showcase festivals

### Language in Professional Communication

While the language of performances abroad is chosen according to the artist’s vision, in business communication off-stage English should be prevalent.

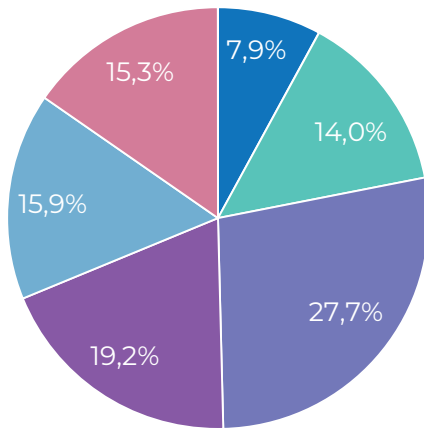
The Guardian has identified languages most spoken by the business community: English (38%), French (12%), and German (11%). At the same time, 54% of Europeans can hold a conversation in a foreign language, and a quarter speaks two foreign languages<sup>169</sup>.



<sup>168</sup> The data collected in the course of the desk study. The data does not include the history of Ukrainian artist performances at Amsterdam Dance Event given to the lack of public record.

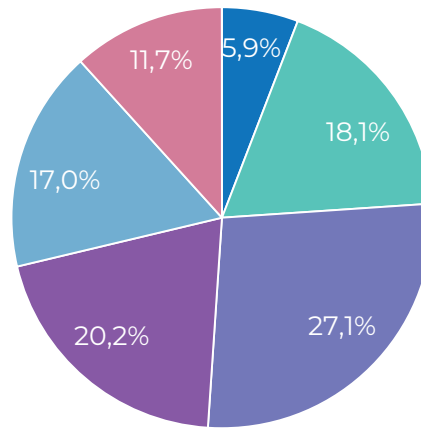
<sup>169</sup> The Guardian (2014). Most Europeans can speak multiple languages: <https://www.theguardian.com/news/datablog/2014/sep/26/europeans-multiple-languages-uk-ireland>

Given that business communication is performed in English most of the time, a good command of this language is extremely important for Ukrainian artists and their management teams. A survey conducted during the study showed that export-oriented artists and representatives of the music industry speak English at least at an intermediate level.



- Basic
- Elementary
- Intermediate
- Upper Intermediate
- Advanced
- Fluent

Fig. 7.3. Level of English proficiency.  
Artists



- Basic
- Elementary
- Intermediate
- Upper Intermediate
- Advanced
- Fluent

Fig. 7.4. Level of English proficiency.  
Music industry representatives

According to the British Council language gradations, the intermediate level (or B1) allows you to understand and write simple texts on familiar topics, describe your work experience, talk about plans, express wishes<sup>170</sup>. According to the EF EPI study, Ukraine ranks 49th out of 100 countries in the world ranking of English proficiency. The language proficiency index is marked as “low”<sup>171</sup>.

<sup>170</sup> British Council. English levels: <https://www.britishcouncil.es/en/english/levels>

<sup>171</sup> EF EPI (2019). English proficiency levels rating: <https://www.ef.com/wwru/epi/>

## Cooperation with Foreign Music Industry Representatives

Representatives of the international music industry who want to work with Ukrainian artists try to evaluate their potential and readiness to go beyond the national market. Most often, they use export criteria to understand what the artist can offer.

1. A release (not older than 18 months) which should be available on key digital platforms. This criterion indicates the artist's creative activity.
2. Confirmed experience of live performances (concert history, participation in festivals, showcases, videos of live performances).
3. Confirmed activity of the music project (the number of media publications, video views, activity in social networks, etc.). This criterion helps to assess the current state and understand the artist's evolution.
4. Presence of a local or international team (manager, music agent, etc.). This allows for constructive negotiations.
5. Proficiency in business English. This criterion makes it possible to assess the ability to work in a foreign market, i.e. interact with technical staff, have small talk, communicate with the media and other industry representatives.

With the support of foreign companies or individual professionals who are familiar with the industry specifics in their country, it will be much easier for the artist to perform there.



## Promoter. Music Agent

A promoter directly organizes shows in the selected country, taking financial and reputational risks. Unlike the promoter, the music agent<sup>172</sup> works as a proxy and acts as an intermediary between the promoter and the artist, creates the tour schedule, gets concert approvals, contracts agreements.

*For me, entering a foreign market was very simple. My agent is Polish and has the most connections in Eastern and Central Europe. So, it was the easiest place to start playing concerts, that's how it worked out.*

*Sasha Boole, singer-songwriter.*

Depending on the chosen export strategy, the artist can work with several music agents from different markets. For instance, as of September 2020, DakhaBrakha have three music agents: Riot artists (North and South America, UK, Australia, Japan), More Zvukov (Germany, Austria, the Netherlands), Run productions (France).

*The hardest job for me is to coordinate all the agents who want to work with us. We constantly have to decide where we are going, how complex the logistics will be, etc.. For example, our American agent usually asks us for a two-month tour but physically it is very difficult for us. Therefore, every tour planning starts with negotiations.*

*Iryna Horban, manager of DakhaBrakha and Dakh Daughters.*

## Record Label

In the classic sense, the label's core function is to release music in digital and/or physical format as well as to promote the release. Some labels may go beyond the traditional form of collaboration with artists and offer extra services, including booking and promotional support for various newsbreaks. For example, the Austrian label Napalm Records which has signed 5 Ukrainian underground bands in a few years (Stoned Jesus, Jinjier, Motanka, 1914, Space of Variations) also has a booking company Napalm Events that organizes concerts for label artists.

<sup>172</sup> Subsection: Music Industry Mapping

*We have signed two contracts, with Napalm Records and Napalm Events. The contract with the label stipulates distribution in electronic and physical formats and promotion. The second contract refers to worldwide booking. Each company communicates with us through its own representatives with a well-managed line of commands, about 10 people in total.*

*Veronika Franchuk, manager of the band Motanka.*

A number of Ukrainian artists collaborate with foreign labels on various forms of contracts. The list includes Alyona Alyona and Kalush (Def Jam Recordings Poland), Maks Barskykh and Svitlana Loboda (Sony Music Entertainment), Maruv and Poshlaia Molli (Warner Music Russia), Tina Karol (Bentley Records), White Ward (Debemur Morti Productions), Artbat (Diyamic, Afterlife, fryhide), Heinali (Iridescent), and others.

### **PR Agency**

A PR agency is generally in charge of promoting artists in the new market. Depending on the goals and financial resources, there may be different formats of cooperation, which can be done on a permanent or project basis.

In 2018, Ivan Dorn worked with the American company Music Promo Today which promoted the music video and documentary Africa. The collaboration resulted in the online premiere of the video on Billboard (3,5 million views), film presentation on Complex magazine (100,000 views), the project was covered by Spin Magazine, Nylon Mag, EDM.COM, Magnetic Magazine, High Snobiety, and more than 50 other resources<sup>173</sup>.

### **Showcase Festivals**

A Showcase festival is an event that combines performances by young artists and a music conference. For artists, this is an opportunity not only to play to a new audience but also to meet representatives of the music industry and negotiate possible cooperations. According to INES, the international network of European showcase festivals, today there are more than 60 showcase festivals of various sizes and formats in Europe.

<sup>173</sup> MPT agency (2019). Ivan Dorn case: <https://musicpromotoday.com/blogpost/2019/09/04/ivan-dorn/>

Ukrainian artists have recently started going to such industry events. Over the last four years, the intensity of their participation in European showcase festivals has almost doubled. This was prompted by the following factors:

1. Raising awareness due to the first successful performances of Ukrainian artists at such events and holding local showcase festivals (Music Conference Ukraine, Kyiv Music Days, and others).
2. Introduction of the visa-free regime for citizens of Ukraine with the EU, which facilitated travel arrangements and documentation.
3. Financing and managerial support from public and private institutions. This mission is currently being carried out by the Ukrainian Institute and the independent initiative

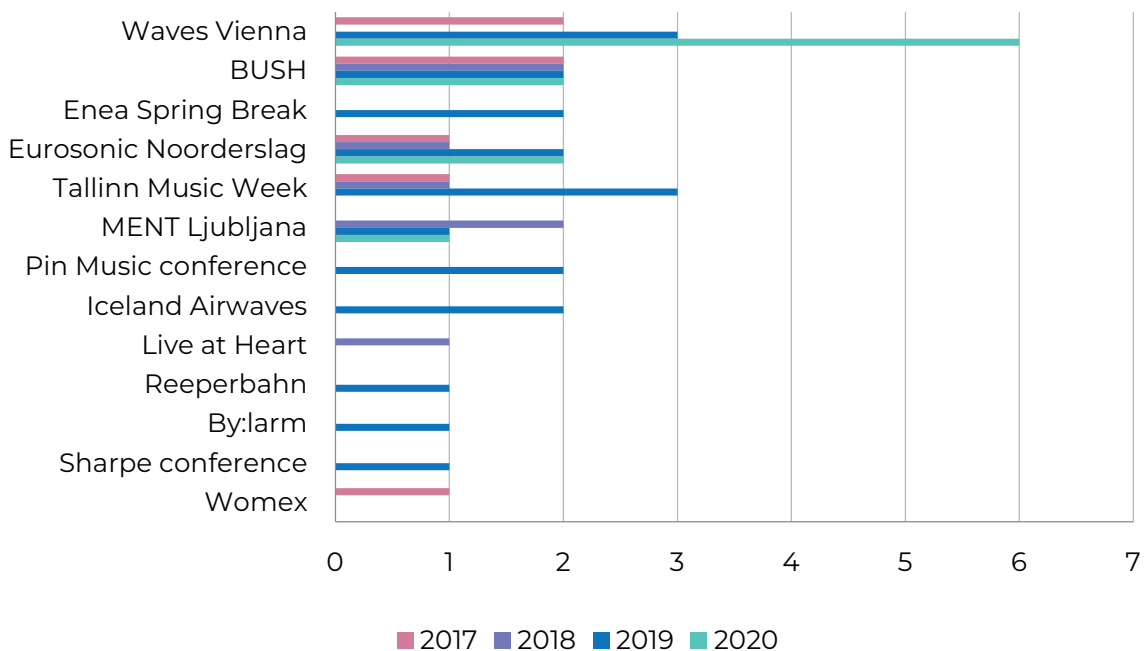


Fig. 7.5. Dynamics of participation of Ukrainian artists in European showcase festivals (2017-2020)

According to a survey conducted as part of the study, 49% of artists would like to take part in showcase festivals. However, it is important to keep in mind that a showcase is just one of the tools for promoting music abroad. Way better results are possible when the artist is accompanied by a well-prepared team. Open competitions suggest a future increase in the number of Ukrainian artists that take part in such events.

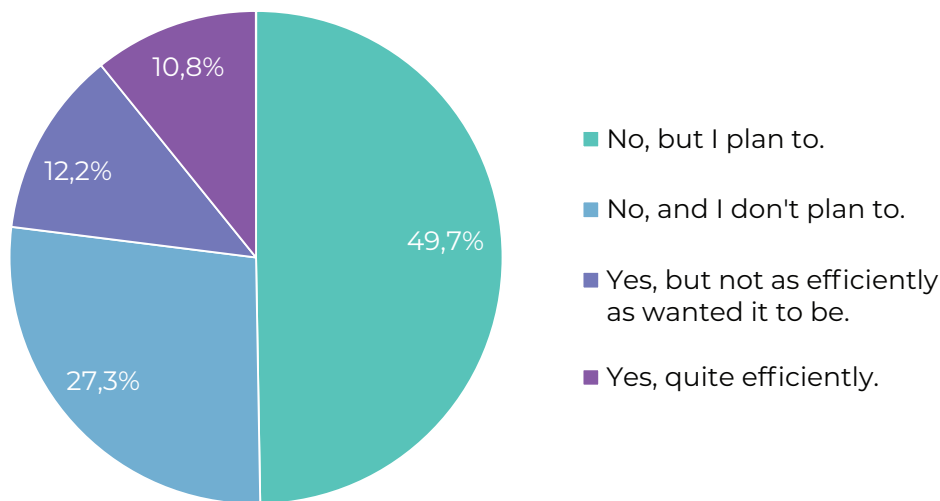


Fig. 7.6. Have you ever participated in showcase festivals?

### Showcases and COVID-19

Enforcing quarantine in most countries has influenced the plans for international showcase festivals. Postponements have led to performances by Ukrainian artists being canceled. These examples are not singular; such situations have become typical in 2020.

- UK-based festival The Great Escape (Extra Sound program by the Ukrainian Institute). Performances by Alyona Alyona, Love'n'Joy, and Blooms Corda were canceled<sup>174</sup>.

- Estonian festival Tallinn Music Week Festival. Due to quarantine restrictions for non-EU countries, the following performances were canceled : Luna (Луна), Yuko, Balaklava Blues, Kyiv Ethno Trio, Gentle Ropes.

Meanwhile, for the first time in the history of international showcase festivals, a hybrid event was worked out. It embraces both offline and online events (live streams, exclusively recorded shows, theme chat rooms, etc.).

The Austrian showcase festival Waves Vienna was one of the first to adopt this format. In September 2020, it was held with an emphasis on the UK and Ukraine. The Ukrainian Institute together with Music Export Ukraine remotely<sup>175</sup> presented live performances by Dakh Daughters, Fo Sho, The Castle, Krapka:Koma, Tse Sho, Tik Tu, and a discussion board with representatives of the Ukrainian music industry.

<sup>174</sup> TMW.ee (2020). TMW reveals a hybrid conference and festival concept: <https://tmw.ee/2020/07/tmw-health-safety-agenda-2020/>

<sup>175</sup> Ui.org.ua (2020). Українські музиканти на Waves Vienna 2020: <https://ui.org.ua/news/extra-sound/waves-vienna>

## Cooperation with Organizations that Provide Institutional Support

In economically advanced countries, institutional funding of the music industry is an effective tool for boosting music exports<sup>176</sup>. Traditionally, such support is provided by public or private institutions as follows<sup>177</sup> :

1. Mobility and international activity grants.
2. Representation at industry events abroad (conferences, showcase festivals, contests, etc.).
3. Internationalization of local industry events (inviting foreign experts to Ukrainian conferences, residencies, workshops, etc.).
4. Consulting on export activities. Management training and education.
5. Development of the local music ecosystem through music conferences, educational projects, etc.

In Europe, this workload is managed by music export offices. As of September 2020, these duties are performed by various public and private institutions in Ukraine. The artist's export strategy can be planned with respect to the rules of these institutions. Working with them will help optimize costs and promote a civilized approach to music exports.

**The Ukrainian Institute**<sup>178</sup> is a state body that works in the field of cultural diplomacy. The institute has launched Extra Sound, a long-term program that aims to present contemporary Ukrainian music at key industry events abroad<sup>179</sup>. In the fall of 2020, the publication of the Music from Ukraine catalog is planned. For two years, the Ukrainian Institute has been fruitfully cooperating with the independent initiative Music Export Ukraine on the implementation of individual projects.

In its 2020-2024 strategy, the Ukrainian Institute outlined a list of high-priority countries for cooperation. This list is compiled with regard to the foreign policy and foreign economic strategies of the Ministry of Foreign Affairs of Ukraine. Every year, the global reach will scale-up, and this will influence the program activities of the Ukrainian Institute and the strategy of music export development.

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<sup>176</sup> For example, the British band Years & Years received funding from the PRS Foundation before releasing a debut album, King Gizzard & the Lizard Wizard got the first mobility grant in Australia to go on the first foreign tour, in particular with the support of the Belgian export office the band Warhaus was nominated for Music Moves Europe Talent Awards 2019, etc.

<sup>177</sup> Music Moves Europe - A European music export strategy (2019), p.42

<sup>178</sup> The Ukrainian Institute: <https://ui.org.ua/>

<sup>179</sup> Ui.org.ua (2019). Dakh Daughters performing on the Ukrainian Weeks in Bavaria:

<https://ui.org.ua/report2019/projects/dakh-daughters-munich>

Jazz trio on the festival in Salzburg: <https://ui.org.ua/projects/ukraine-austria/jazz>

Ukrainian night: <https://ui.org.ua/ukrnighten>

Presenting Ukraine at the Waves Vienna showcase: <https://ui.org.ua/waves-vienna>

Business convention at Atlas Weekend <https://ui.org.ua/report2019/projects/atlas-weekend>

**Embassies** and consulates of Ukraine are the state policy conductors in the field of cultural diplomacy. Their activity bolsters international ties, carries out an educational and cultural mission, and spreads the Ukrainian national idea internationally<sup>180</sup>. In 2019, on the initiative and with the support of the Ministry of Foreign Affairs of Ukraine, the Embassy of Ukraine in China<sup>181</sup> organized a Chinese tour for the band Onuka .

**The Ministry of Culture and Information Policy of Ukraine (MKIP)** is the central executive branch whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine. MKIP implements state policy in the fields of culture, language, international broadcasting, information sovereignty of Ukraine, global popularization of Ukraine, etc.. You can find out more about the ministry's work on its official website<sup>182</sup>.

**The Ukrainian Cultural Foundation (UCF)** updates the list of grant programs annually. Some programs are aimed at developing international cooperation. This was how the Mezzanine project, the cultural expansion of the Ukrainian music industry at the Budapest Showcase Hub 2019<sup>183</sup>, was financed. Professional communication, networking, evening concerts by Postman and ptakh\_jung, filming of a documentary with a broadcast on Hromadske (Public television)<sup>184</sup> – all this was plain evidence of how significant such projects are for boosting Ukrainian music export.

**Music Export Ukraine (MEU)**<sup>185</sup> is an independent initiative that has been helping performers of popular music to promote their work in the European Union since 2018. MEU's main activities are international cooperation, management support of Ukrainian performers, educational projects, exchange programs, Music Conference Ukraine<sup>186</sup> (conference and showcase). In 2020, Music Export Ukraine became part of the European Music Exporters Exchange (EMEE)<sup>187</sup>.

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<sup>180</sup> The Ministry of the Foreign Affairs website. Diplomatic institutions:

<https://mfa.gov.ua/diplomaticchni-ustanovi/inozemni-diplomaticchni-ustanovi-v-ukrayini>

<sup>181</sup> The Embassy of Ukraine in China: <https://www.facebook.com/ukrembcn/posts/1290594411109057/>

<sup>182</sup> The Ministry of Culture and Information Policy: <https://mkip.gov.ua/>

<sup>183</sup> Ukrainian delegation at Budapest Showcase Hub: <https://ucf.in.ua/archive/5f076277b2971f77417aa4b3>

<sup>184</sup> Ukrainians@BUSH: aftermovie. <https://youtu.be/YIN-xJvR47k>

<sup>185</sup> Music Export Ukraine: <https://musicexportukraine.com/>

<sup>186</sup> MEU (2020). MEU cooperates with Eurosonic Noorderslag, Womex, Enea Spring Break, Viva Sounds, Waves Vienna, Budapest Showcase Hub, Live at Heart, and others; runs educational projects Blackbelt songwriting camp and Eastern European Music Academy with the support of House of Europe:

<https://musicexportukraine.com/about-meu/activity-report-2019>

<sup>187</sup> MEU (2020). MEU has joined the network of the European export offices:

<https://musicexportukraine.com/blog/11-meu-has-joined-the-network-of-the-european-export-offices>

## International Cooperation Programs

An example of international cooperation is the Liveurope program which supports concert activities of young artists in Europe. The program finances a chain of venues where performances take place<sup>188</sup>. With the aid of Liveurope, Ukrainian artists such as Stoned Jesus, Somali Yacht Club and Postman played their concerts.

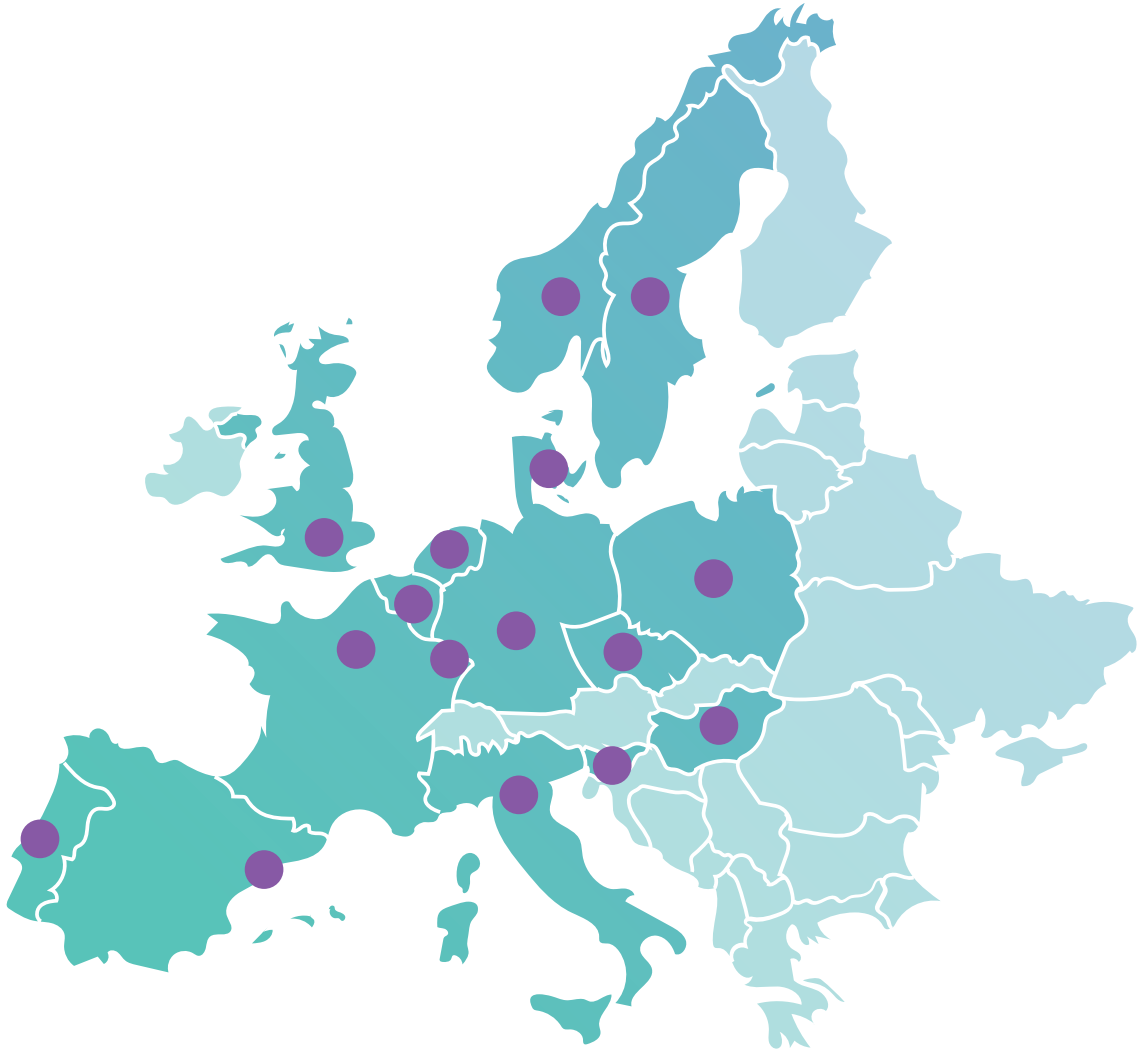


Fig.7.7. Map of venues that are a part of the Liveurope program<sup>189</sup>



<sup>188</sup> Creative Europe Culture music projects, c.43: <https://op.europa.eu/en/publication-detail/-/publication/31ad105b-d20b-11ea-adf7-01aa75ed71a1/language-en?bclid=IwAR05VlyvIEOzUDyutLjuMfXgvlEsZ1w5q0ZSPzNbzCLiJHImqcl0Hz1KCKE>

<sup>189</sup> Liveurope: who we are and what we do: <https://liveurope.eu/who-we-are-and-what-we-do>



## Challenges of Music Export

The results of the survey on the main problems of entering new markets have to be commented on additionally. The most common hardships include:

1. Lack of managers with relevant competencies
2. Risk of financial losses
3. Poor awareness of the cultural context of the foreign market

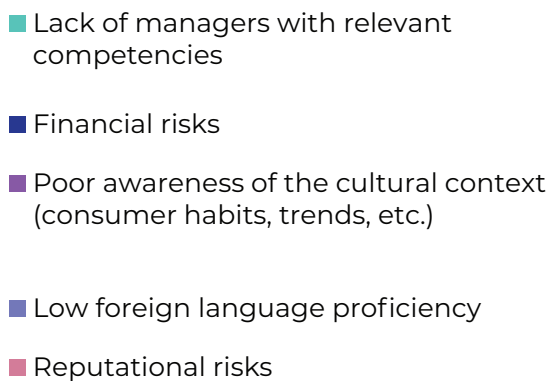
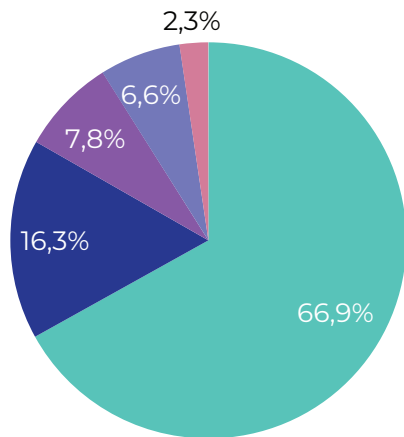


Fig.7.8. Challenges of entering foreign markets. Artists' answers

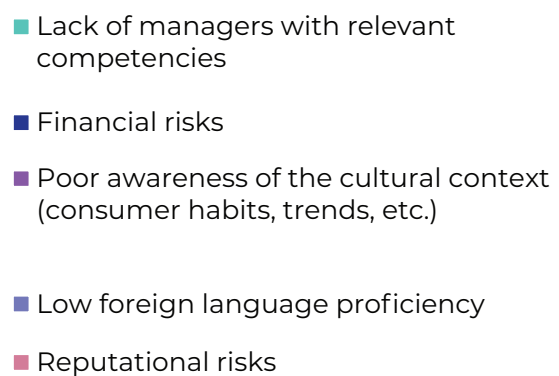
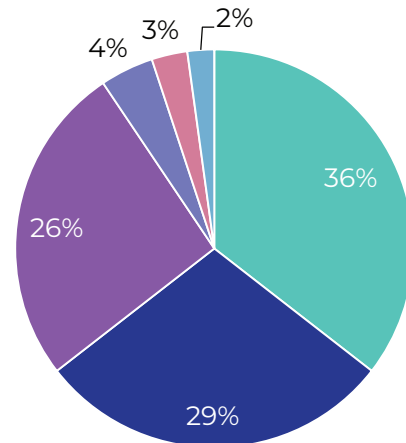


Fig.7.9. Challenges of entering foreign markets. Music industry representatives' answers

### Lack of Managers with Relevant Competencies

Ukraine has a limited pool of managers who have experience in exporting music. The main challenge is that a manager working in foreign markets should not only master managerial functions (planning, organization, control) but also navigate in the international environment. Each country has its own specifics of doing business, a certain cultural context, differences in the structure of the music market, peculiarities of the promotion, and even consumption of music. The problem is that in Ukraine there is no targeted training of

music export managers, thus the most common ways to acquire relevant skills are:

- practical work;
- taking part in international projects and events that bring together the professional music community (conferences, showcase festivals, exchange programs, etc.)
- studying at foreign universities (University of Creative Arts, University of Wales, University of Southampton, Berklee College of Music, Tileyard Education, and others).

## Financial Risks

By playing shows abroad, Ukrainian artists are almost immediately exposed to a number of financial risks. There are a great number of reasons for this: from the unregulated state legislation to the artist's own negligence. When touring outside the country, they may make such mistakes:

- Not signing contracts and relying on verbal agreements
- Not checking the promoter that volunteered to organize concerts
- Relying on cash payments
- Not finding out the type of the concert venue and the technical capacity of the premises
- Not calculating logistics costs, etc..

Justified by the crippling taxes and poor inconsistency of laws, artists deliberately avoid the legalization of their touring activities. DIY artists just do not see any sense in registering individual entrepreneurship, contracting agreements, making non-cash transactions in foreign currency, keeping records, and paying taxes.

This form of work in foreign markets damages the process of civilized music export development and leads to forming a negative image of the state. However, some Ukrainian artists consider business transparency as a fundamental value that does not change wherever they perform.

*In Ukraine, we have registered individual entrepreneurship. In Europe, everyone works legally, thus everything must be reinforced by invoices. Our label Napalm Records once suggested adding a motanka doll to our merch. We found such an artisan, ordered 100 pieces at our own expense, but the label still requested an invoice. For us, it's both strange and cool, because there is a basis on which you can then have a dialogue. Just trust is not enough, especially when it comes to money*

*Veronika Franchuk, Motanka band manager.*

## Poor Awareness of the Cultural Context

Each country has its own national business style and rules for the music industry which depend on political, economic, social, cultural, and other factors. To effectively establish a business connection, it is important to take these factors into account, learn the rules of business communication, traditions, and customs, dos, and don'ts.

This information will help to avoid a situation when the artist planning their performance does not know which concert venues in the UK have a bad reputation, why in Austria concert posters work better than social network banners, why you should not spread flyers in the Netherlands, and why you may get arrested in the street for making a “secret” concert in Germany.

*In China, there is a ministry that runs all the concerts. Everything happens with its approval – all texts are translated, music and live performances are listened to, video art that will be broadcast is watched. It took us 7 months to confirm everything<sup>190</sup>.*

*Nata Zhyzhchenko (Onuka)<sup>190</sup>.*

You can get basic information about the country you are heading to by contacting their music export offices. Another good option is the local music industry catalogs that are published on the sites of Austrian Music Export, Music Export Poland, Music Finland<sup>191</sup>. They can become one of the key sources of useful information for making the first professional contacts. If necessary, you can also contact other bodies that provide institutional support. They were mentioned in the subsection Cooperation with Organizations that Provide Institutional Support.

<sup>190</sup> LBTV (2019). Ната Жижченко | ONUKA : про новий альбом, кліп ZENIT, цензуру в Китаї та депресію: <https://www.YouTube.com/watch?v=c6EQMvt2bNY>

<sup>191</sup> Austrian Music Export. Most useful contacts: <https://www.musicexport.at/service-information/most-useful-contacts/>  
Finnish music directory: <https://musicfinland.com/en/resources/finnish-music-directory>  
Music Export Poland: <http://www.musicexportpoland.org/baza-danych>

## Recommendations for Export-Oriented Artists

- Start operating legally in Ukraine by registering individual entrepreneurship or a TOV (limited liability company).
- Take legal and financial advice on the rules of international business activity.
- Estimate your own potential for systematically exporting your music.
- Assess your achievements according to the export criteria.
- Participate in international showcase festivals. Learn networking, form your own professional contacts base. Take part in conferences, music residencies, study and training programs, etc..
- Do not pass over institutional support: apply for grant programs, participate in project competitions, etc.

## Recommendations for Public and Private Institutions

- Carry out a strategic analysis of global export business models using benchmarking – an approach that helps to enhance studying, adaptation, and application of best practices from countries whose experience in music exports is proven by economic benefits.
- Introduce the concept of music export at the legislative level.
- Establish cooperation of private export institutions with the Export Promotion Office<sup>192</sup> to launch training programs for music management.
- Reinforce institutional support for popular music by introducing special programs for export-oriented artists.

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<sup>192</sup> Export Promotion Office: <https://epo.org.ua/>

A woman with long dark hair in two braids, wearing a white hoodie and white pants, is posing with her hands raised in a 'rock on' gesture. She is wearing a thick, multi-strand chain necklace. The background is a solid teal color. The text 'Case study' is overlaid in white, bold, sans-serif font. Below it, the text 'Alyona Alyona: Big and Hilarious. An Export Story' is also overlaid in white, bold, sans-serif font.

# Case study

**Alyona Alyona: Big and Hilarious. An Export Story**

“  
“  
*Even if you don't know a word of Ukrainian, you'll be hooked on Alyona Alyona. She spits like a car revving up and rocketing off full speed until suddenly, you're carried away*

*Vogue*<sup>193</sup>.

In the fall of 2018, when the Internet went nuts for the “Rybky” (“Fish”) music video, it was hard to imagine that in two years the unknown rapper<sup>194</sup> would release 19 music videos, 2 albums, 7 singles, receive three major awards, and captivate Europe with her music. How come in such a short time did she manage not only to make a name in Ukraine but also to become an export-attractive artist?

“  
“  
*My success is a blend of circumstances. My history, image, flow, music, and the topics I bring up*<sup>195</sup>.

*Alyona Alyona.*

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<sup>193</sup> The Vogue (2019). Meet Alyona Alyona, Ukraine's Most Unlikely Rap Star:

<https://www.vogue.com/vogueworld/article/alyona-alonya-ukrainian-rapper-kiev>

<sup>194</sup> Alyona Savranenko named herself Alyona Alyona “...because it's fun. Simple. Because my zodiac sign is Gemini. Because everyone has a contradiction inside, black&white, everything must be balanced.”

<https://gloss.ua/music/124179-pervoe-interv-yu-s-samoy-nashumevshey-repershey-ukrainy>

<sup>195</sup> Vpiska (2019) (“Вписка”). Alyona Alyona: <https://www.youtube.com/watch?v=YFcTpQYYQLY>



## Storytelling

When you read about Alyona Alyona in international media, a pool of keywords is formed very quickly: kindergarten, body-positive, rap, fast, Ukraine, viral, video. The story of a deftly rapping nursery teacher from a small town grabs attention right away. While millions of views on YouTube startled rap fans in Ukraine, the life-changing event developed far beyond the country.

*I reposted the video Vidchyniai ("Відчиняй") and familiar bookers immediately started asking if this is my new artist. I realized that such appeal is non-accidental.*

*Natasha Padabied, More Zvukov Concert Agency, Netherlands.*

## Festivals. Showcases. Concerts

More Zvukov Agency offered Alyona Alyona international cooperation. Since then, the singer has a music agent Natasha Padabied who represents her interests across Europe.

When it comes to exporting music the first question is how to enter the foreign music market and start forming a demand for your music and name from scratch?

*It's really complicated if you don't have a label or an agent. There are showcases, although it is not easy to get there. I usually write to festival organizers. If the artist is invited to perform there, I plan extra concerts that can cover part of the expenses. However, now it's harder to start if no one knows you at all*

*Natasha Padabied from More Zvukov Concert Agency, Netherlands.*

Starting with showcase festivals was the most rational decision. The entire international music community (promoters, bookers, representatives of labels, festivals, media, etc.) goes there, and this gives you the chance to present the artist to a wide range of specialists. In March 2019, Alyona Alyona began performing at European showcases such as Tallinn Music Week (Estonia), Waves Vienna (Austria), Reeperbahn showcase festival (Germany), Iceland Airwaves (Iceland), Eurosonic Noorderslag (Netherlands).

Surprisingly, Alyona Alyona's real concert debut wasn't at home but at the Estonian showcase festival Tallinn Music Week.

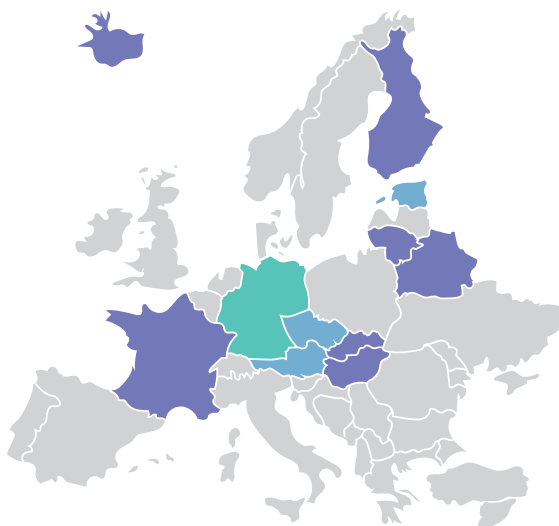
*Her presence here is visibly valued by the audience, as evident in the number of people shouting along to the hooks even without understanding the lyrics. Alyona Alyona could be the person to put Ukrainian hip-hop on the map*

List.co.uk (commenting on her debut show at TMW)<sup>196</sup>.

*During the first year, we traveled as much as possible – literally everywhere! Including showcases, to present our music. This was hard because the showcases don't pay for the trip, some of them don't pay the fee, the accommodation and meals are provided only on the day of the performance. So we invested time and money to show our music in Europe. In the end, these concerts did their part.*

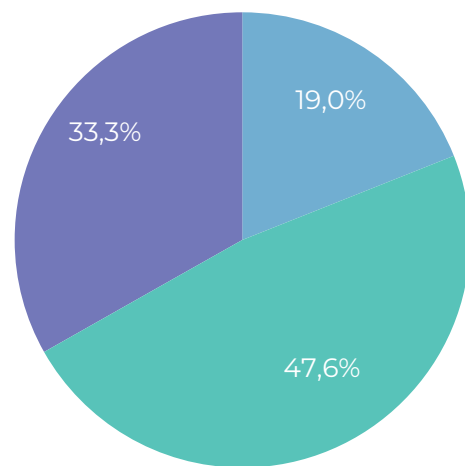
Tetiana Papuha, Alyona Alyona's manager.

In order to save money, we decided to book break-even concerts, performances to optimize costs and logistics. For example, a performance at the Waves Vienna showcase was accompanied by concerts in Brno and Prague.



■ 8 shows   ■ 2-3 shows   ■ 1 show  
■ 0 show

Fig.7.10. Alyona Alyona's touring geography in 2019<sup>197</sup>



■ Showcase   ■ Festival   ■ Concert

Fig.7.11. Alyona Alyona's performance format ratio in 2019<sup>198</sup>

<sup>196</sup> Tallinn Music Week 2019: 8 highlights from across the festival: <https://www.list.co.uk/article/107780-tallinn-music-week-2019-8-highlights-from-across-the-festival/>

<sup>197</sup> The data collected in the course of the desk study

<sup>198</sup> The data collected in the course of the desk study

Almost all of Alyona Alyona's performances were under the spotlight of international media. Vogue, The New York Times, Forbes, The Guardian, Billboard, Great Big Story, The Gap, and others started writing about the Ukrainian rapper.

*One of Ukraine's few female rappers, Alyona Alyona spits lightning-fast flows – and zero expletives.*

*The New York Time*<sup>199</sup>.

Due to showcase performances and professional actions of the European agent, Alyona Alyona started getting invitations to major European festivals – Sziget (Hungary), Pohoda (Slovakia), Fusion (Germany), Haldern-Pop (Germany), Loftas fest (Lithuania), Trans Musicales Rennes festival (France), etc.

*In 2019, we didn't have a strategy for choosing festivals, but we knew that we had to perform as much as possible. This year (2020) we have to choose very meticulously because the number of participation proposals surpasses the artist's resources and time.*

*Tetiana Papuha, Alyona Alyona's manager.*

A lot of performances were planned for 2020, including showcase festivals South by SouthWest (USA) and Wise (China), as well as solo concerts in Germany and the Netherlands. However, due to the COVID-19 pandemic, all performances were canceled. Concerts in the UK, Poland, Germany, Norway, the Czech Republic, and Switzerland were also canceled.

## Awards

In 2019, Alyona Alyona's greatest international achievement was The Anchor award which is presented during the Reeperbahn Festival in Germany. This award provides a good start for the artist's international career. Unlike other awards based on music sales and popularity, Anchor marks quality music that is played live.

<sup>199</sup> The New York Times (2019). 15 European pop-acts: <https://www.nytimes.com/interactive/2019/05/22/arts/music/15-european-pop-acts-who-matter-right-now.htm>

*We have decided upon an artist with whom we all lost our shit to, the minute they started to perform!*

*Tony Visconti, David Bowie album producer, on Alyona Alyona's performance.*

### **Alyona Alyona was also awarded in 2020:**

- Women In Arts in the category Women in Music. The award was established by the UN Women in Ukraine and the Ukrainian Institute in support of the global movement for gender equality HeForShe;
- Getting listed in the Forbes 30 Under 30, Kyiv Post 30 Under 30, 50 new artists for 2020 lists by The Guardian;
- YUNA National Music Award in the category Best Hip-Hop Hit, for the song Padlo featuring Alina Pash and Best Album (album "Pushka");
- Rap.ua Awards in the categories Breakthrough of the Year and Best Release (album "Pushka");
- Aprize Award from Radio Aristocrats in the category Album of the Year (album "Pushka");
- Nomination for Music Moves Europe Talent Awards 2021.

### **Language Issue**

Alyona Alyona raps in Ukrainian, showing that English is not an obligation for the export repertoire. Language charm only adds to the appeal of her tongue-twister flow and makes you dance to the beat.

*I got out of my chair, danced and took videos. I didn't understand a word she was singing but it came out so powerful<sup>200</sup>.*

*Bob Rock, the producer of Metallica, Mötley Crüe, and others, said on Alyona Alyona's performance.*

<sup>200</sup> Alyona Alyona. Profile on More Zvukov: <http://morezvukov.nl/alyona-alyona/>

Yet, understanding the importance of English for professional communication, the singer keeps studying it and additionally is trying to learn German<sup>201</sup>. According to the announcements, on the new album, English may appear only as chorus fragments.

*I'm not feeling ready for this. First, I haven't said everything I wanted in Ukrainian. Second, at present I don't think my level of English is enough for songs<sup>202</sup>.*

Alyona Alyona.

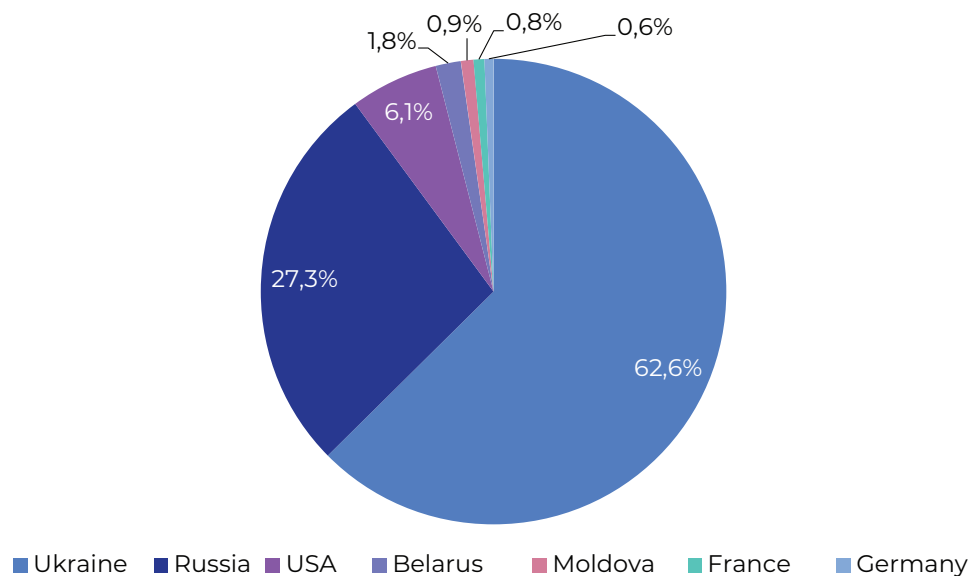


Fig.7.12. Geography of Alyona Alyona's YouTube subscribers, August 2020<sup>203</sup>

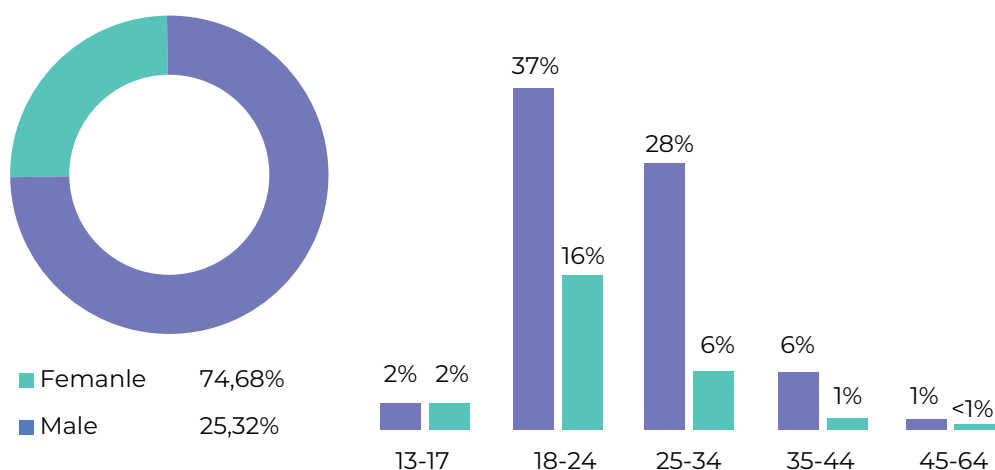


Fig.7.13. Alyona Alyona's YouTube subscribers' portrait, August 2020

<sup>201</sup> Alyona Alyona Instagram: [https://www.instagram.com/p/B7JqhBAnKu5/?utm\\_source=ig\\_embed](https://www.instagram.com/p/B7JqhBAnKu5/?utm_source=ig_embed)

<sup>202</sup> Alyona Alyona on the new album, coronavirus, featuring Oxxxymiron and concerts in Russia: <https://rap.ua/alyona-alyona-rozpovila-pro-novij-albom/>

<sup>203</sup> According to Chartmetrics

## Foreign Partnerships

Alyona Alyona's shows in Europe are handled by More Zvukov agency. The artist also partners with the Swiss company Come True which represents her interests worldwide. In the winter of 2020, she signed a contract with the Polish representative office of Def Jam Recordings, an American record label that belongs to Universal Music Group.

*Cooperation with Def Jam allows going deeper into the international market, to work together with international artists who are also signed to this label. Plus, more opportunities for promotion and interviews*

*Tetiana Papuha, Alyona Alyona's manager.*

An example of international collaboration was the song Gory ("Гори") which was previously performed with the band Kalush. At the end of August 2020, a new version of the song was published featuring Polish rappers Gedz and Skip.

## Monetization


*We are used to pinning labels: 'It's all bullshit! They invested millions in her!' In fact, no. Every work has its price. But sometimes people like what you do so much that they're willing to work with you for free just because they want to break into the industry. Until recently, there were no such people in my life: I paid for absolutely everything<sup>204</sup>.*

*Alyona Alyona.*

As of 2020, Alyona Alyona's main source of income comprises concerts and native advertising. While cooperation with brands takes place only in Ukraine and is less susceptible to financial risks, international shows that were canceled due to COVID-19 have become a source of losses rather than profits.

<sup>204</sup> RBC (2019). Alyona Alyona: "Pretending to be rich is not my do": <https://style.rbc.ru/people/5cb890d29a79474dfaae1007>





Under the circumstances, no one knows what happens next. However, when the focus is not so much on business as on community and freedom of creativity, we can be sure one will take creative ways to keep building the music industry, even despite the crisis.

# Case study

## Masterskaya: From Label to House of Culture



## Label and Working With Artists

Since 2016, Masterskaya label and space have been a power place for many musicians and a hot spot on the map of Kyiv. Founded by Ukrainian singer Ivan Dorn, it builds relationships on friendship and trust: musicians have full artistic freedom, the company provides services. Within three years of full-time work, the label has launched electronic band Yuko and singer Constantine, as well as supported numerous artists such as Gurt [O], KHAYAT, Ofliyan, Tonka (Тонка), Jonathan Livingston, Komissiya, – over 80 releases and 110 artists in total.

The label's team constantly searches for new talent and is always open to proposals from Ukraine and abroad. Any musician who feels ideological and musical affinity to Masterskaya can send in their demo recording via email. The most interesting ones make it to Khudrada ("Худрада") – a listening by experts broadcasted via social media. As a result of the broadcasts, some of the artists only receive honest feedback, some are added to the "raw collections" that are uploaded to streaming platforms, and some can expect more serious proposals.

All artists with whom the label works are divided into categories A, B, and C. This division has nothing to do with the quality of music, explains Hryhorii Fatianov, Masterskaya's chief operating officer.

- **Category A.** Commercially promising artists with defined goals. In this case, the label offers an extended contract, puts together a team around the artist, deals with booking, distribution, PR, promotion, licensing, accounting, working with partners (advertising agencies, brands, TV channels, film companies). For instance, Yuko have an autonomous team that includes a manager and a PR-specialist.

- **Category B.** Artists who regularly release music and perform, have serious plans and good chances for success. Own manager and 4-6 singles ready for release are preferable. In this case, the label offers a publishing contract that covers digital distribution for a percentage of sales, as well as basic PR and promotion. According to the publishing contract, the artist transfers 100% of copyright and related rights to the music material to the label. In turn, the label connects the artist to the personal distributor account, i.e. providing them with access to statistics and sales analytics. The distribution of profit between the label and the artist can be different: 50/50 or 30/70 in favor of the artist.

- **Category C.** Niche, experimental artists. These include weird, daring, offbeat artists, even those to whom music is merely a hobby. Then, Masterskaya releases music without getting paid for their work, to widen their worldview and those of their audience.

If Masterskaya were just a label, it wouldn't be discussed as much. The story doesn't end here.

### **A Space Where Everything Is Possible**

Owning a space instead of renting it was important for the stability of the project. Thus, Dorn spent \$240,000 of his own money to buy a 300-square-meter facility in the district of Pechersk, near the city center, and at least \$300,000 for renovation and equipment.

When visiting Masterskaya, at first you may think that you're inside the office of a small creative agency: a small welcoming reception, miniature waiting area with a coffee machine and snacks, a bright and cozy room with tables, chairs and flipcharts, decorated with drawings by Masha Reva, graffiti duo We Bad, and deco clouds. This is where the administrative part of the label works. But the most interesting part begins when you go underground: you literally go down the stairs decorated by street artists Nickole and Michelle Feldman, famous for their graffiti series all over the city.

The event hall called Tsekh ("Цех") is the biggest and can host from 60 to 200 people depending on event format. The artistic design of this room was developed by Ivan Dorn's wife Anastasiia Novikova. Custom loudspeakers, acoustics and sound insulation were made by specialists invited from Lithuania. Before the pandemic, Tsekh hosted events almost every day. First of all, regular and house concerts. But also educational events dedicated to subjects useful for artists, managers, and sound producers. Lecturers and guests included active artists and industry field specialists.

Behind the largest hall, there are other rooms each of which has a special purpose. For instance, the central monitoring studio that has everything one may need for high quality final production and two arrangement studios for a wide range of tasks. Label residents can use the studio for free, for everyone else the rent costs from 300 hryvnias per hour. Anyone can register to use them, Masterskaya provides a soundman who helps with nuances.

Another crown jewel of the label are two synthesizer galleries with dozens of keyboard instruments and drum machines. The assortment will impress any musician: the best exhibits from Moog, Roland, Korg, Elektron, Dave Smith Instruments, Yamaha, Nord, Akai, Arturia, Waldorf, Erica, and Vermona are represented here. Since vintage equipment has high repair costs, and repairs take long, the exhibition focuses on new models. However, there are some indispensable exceptions – the classic Roland Jupiter-4 or Roland TR-808. Anyone can dive into the synthesizer heaven, conditions depend on relations to Masterskaya: signed artists and friends have free access, others need to pay 50-220 hryvnias per hour. The label's technical specialist will help with settings.

“  
We want the artists to have the opportunity to create music live, in touch with instruments, and not just on their laptops.

*Hryhorii Fatianov.*

Right next to it is the rehearsal space. The last door leads to the “children’s room”: this is not only a place to relax, but also a venue for DJ classes conducted in cooperation with the ProDJ school and Ableton. The entire Masterskaya space is equipped and arranged in a way that makes one want to create; this is a place you want to come back to, to be a part of this micro-universe.

### **Community of the Free**

Label, studio, concert venue, education center, spot for jams and parties, creative laboratory, coworking and art space – it looks like Masterskaya can be anything its artists want. After a while, a new positioning was established, the House of Culture Masterskaya (Будинок Культури Masterskaya). This concept symbolizes the hub itself, the infrastructure for creating cultural products, and the active community that has formed around it and continues to grow.

As this is all about independent, unexpected, often niche music, the demand for it remains small. Therefore, it is extremely difficult to make money on such an idea, to turn it into a real business. But Masterskaya’s main value is not the income, but creating opportunities. The opportunity to create, share experiences, join forces, raise the cultural level. The development of the community is in the middle of it. This path is more complicated and strategically longer, but Ivan Dorn believes that this is the only way to create something of real value.

According to Hryhorii Fatianov, Masterskaya earns 80% of its income from label work and artists. In particular, the COO notes that digital sales almost doubled in one year: from €15,000 in 2018 to €27,000 in 2019. The rest of the income comes from the space (education events, music events, music production, i.e. studio and synthesizer rental) and collaboration with partners.

The label’s team is especially passionate about collaborations. In particular, Masterskaya together with Martini have supervised their stage at Ukraine’s biggest open-air festival Atlas Weekend, presenting their best artists to a multi-thousand audience. In the summer of 2019, an additional beacon were the headliners, the French band Her. In addition, Masterskaya had its stages at festivals such as Koktebel Jazz, Bili Nochi (Білі Ночі), and Martini Food Love.

Masterskaya remains unprofitable, but the team has a plan to make the project financially self-sufficient. Before the pandemic, the plan was to reach this goal in five years.

### **Surviving In New Conditions**

In March 2020, the House of Culture closed its doors due to the pandemic. The staff had to be reduced by 30%, and some employees were sent on vacation until the fall. At the same time, this was a chance to implement an old plan to develop online presence. Online-concerts *Z Domu v Dim* (“З дому в дім”) supported by *Becherovka*, a short film cycle about Ukrainian electronic musicians *Za Stsenoyu* (“За сценою”) in partnership with *Ballantine's*, synth review streams *Dyvanna Syntologiya* (“Диванна Синтологія”) – Masterskaya has continued growing its audience even remotely. Publishing music was a dilemma of its own: will musicians have enough inspiration to keep creating, will people need it in such hard times? However, the result turned out to be positive: they managed to maintain the pace of publishing albums and singles.





# Glosary



**Agent** – an intermediary between a promoter and an artist who determines the artist's tour schedule and agrees on shows via contracting arrangements.

**Arranging** – the process of transforming a series of musical ideas into a completed track. It can include writing harmonies, rearranging certain parts of the work, adding or removing parts, planning the structure of the song, sometimes adding effects, and so on. Arrangers, sometimes sound producers, arrange music.

**Artificial intelligence** – the ability of a computer system to acquire, process and apply knowledge and skills typical of a human.

**Artist** – in this study, a creative entity, a band or a solo performer, whose activity is aimed at the end customer.

**Audio branding** – the use of sound and music to enhance brand identity in the minds of consumers. Jingles, tones, and spoken slogans are types of audio branding.

**Backline** – a stage sound system for artists during a concert.

**Booking an artist** – negotiation process regarding a show that the promoter wants to take on.

**Collective Management Organization (Organization for Collective Property Rights Management, CMO)** – an non-profit organization that manages property rights and/or related rights of the owners on a collective basis.

**Contact audiences** – individuals and legal bodies that show interest in a firm and are able to affect its ability to reach goals.

**Copyright owner** – an individual or legal entity that owns the rights to a certain type of content, such as a musical composition.

**Coronavirus disease (Covid-2019)** – an infectious disease that first appeared in December 2019 in Wuhan, Central China. The initial outbreak developed into a pandemic. The cause of the disease was the coronavirus SARS-CoV-2, the circulation data of which was not available until December 2019.

**Demo recording** – a "draft" phonogram intended for limited demonstration of musical material or its use as an example (reference), and not intended for reproduction and public release.

**Diaspora** is an ethnic, religious, and linguocultural community or a group of individuals that exists and remains outside their home region while being aware of their genetic or spiritual connection to it.

**Do It Yourself (DIY)** – a promotional approach, in which performers manage their music projects by themselves.

**Editing** – a stage of musical production between recording and mixing the material which consists in clearing the recorded material and preparing it for mixing.



**Live event production** – a list of services including stage construction and provision of sound and light for the live music event provided by third-party contractors who are not part of the main team of the promoter.

**Mapping** – a technology that allows to create a map of institutional, organizational and human resources to establish main market players, assess the potential of the creative sector, and identify its needs and capabilities.

**Mastering** – the final stage of music production, the goal of which is to balance sound elements after mixing and optimize for playback in all systems and media formats. Mastering provides the final version of the phonogram that can be used for reproduction, the so-called master copy.

**Merch (merchandise)** – branded products of a band or an artist.

**Mixing** – the next stage of music production after recording and editing, which consists of selecting and improving (sometimes restoring) the original recorded tracks, combining them into a single project, applying effects.

**Mobile application** – software used on mobile phones and tablets.

**Mobility grant** is funding that covers travel expenses provided on a non-refundable basis by the grantor.

**Monetization** is the process of converting any good or service into a legal tender.

**Music product** – a piece of music that meets certain needs and can be offered on the market.

**Music production** – part of the music industry which includes the full cycle of creating the final music product from writing music and lyrics to mastering.

**Open-air** – a music event that takes place outdoors. It is usually held in the warm season.

**Phonogram** – a recording of a performance or any sound on a medium. A phonogram is the source material for making its copies.

**Promoter** – an organizer of a live music event/festival, who takes all risks related to its organization. Usually deals with Glossarybooking the artist, logistics, ticket sales, and ensures performance of all administrative processes.

**Rejection letter** – a document stating that the right holder refuses to receive royalty for a particular concert through a collective management organization with which a contract has been signed.

**Royalty** – a reward (periodic payment) paid for using or granting the right to use an object of intellectual property.

**Sample** – a piece of audio information cut or recorded from any source. For example, the sound of an acoustic musical instrument, a sound of man-made or natural origin, a sound cut from an existing piece of music or video, etc..

**Session musician** – a music performer who participates in studio recording sessions.

**Setlist** is a sequence of musical pieces performed at a concert.

**Showcase** – a hybrid industry event, the target audience of which are not only music fans, but also representatives of the music industry.

**Songwriter** – author of the song. Sound design – creation of soundtracks for various needs, which involves the specifying, acquisition, or creation of certain sound elements.

**Sound producer** – a specialist who oversees the process of music production at all stages and is responsible for making the master track.

**Stakeholder** – individuals and legal bodies that show legitimate interest in activities of an organization, i.e. depend on it to some extent or can affect its activities.

**Ukrainian abroad** is a citizen of another state or a stateless who is Ukrainian by origin or ethnicity.

## Abbreviations

**GS ULASP** – Public Union of Copyright and Related Right (Ukrainska liga avtorskykh ta sumizhnykh prav)

**CMO** – collective management organization

**TOV** – LLC, limited liability company

**Sole Proprietor** – an individual entrepreneur

**MKIP** – Ministry of Culture and Information Policy

**UCF** – Ukrainian Cultural Foundation

**MEU** – Music Export Ukraine

