

# **Is the Future of the Music Industry in Metaverse?**

**Case Motel Finlandia**

**Anne-Maria Mäkelä**

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<p><b>Author</b></p> <p>Anne-Maria Mäkelä</p>	<p><b>Semester</b></p> <p>Spring 2023</p>
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<p><b>Abstract</b></p> <p>Metaverse has been trending considerably in past years, and there have been many openings regarding that across sectors. Finnish music export organisation, Music Finland, created and implemented a pilot metaverse-project in 2022. The project consists of a VR promotion platform, Motel Finlandia, and collaboration with Decentraland space for metaverse. This metaverse-project serves as an empirical case for this research. This thesis is commissioned by Music Finland.</p> <p>This thesis is a qualitative research studying the metaverse as a phenomenon in the context of music business. The aim is to examine what kind of position could the metaverse have in the music business in the context of business models, and how could artists and music creators benefit from it? Empirical material for my research was collected from this project.</p> <p>This thesis is building on the theoretical frameworks of music industries, digitalisation, and metaverse. The data consists of four semi-structured interviews with representatives of the metaverse-project. Data was additionally collected at the Metaverse Festival by participatory observation.</p> <p>The findings show that the metaverse is still lacking definition, and clear purpose. Furthermore, more development is required. Music licensing, finding a working business model, and how to police music usage in the metaverse are the main challenges that arose from the findings. However, new business opportunities are in artist brand development, and in events hosted in metaverse.</p>	
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## 1. INTRODUCTION

Metaverse is one of the most trending topics at the moment, and it has been anticipated to be the next major step in technological development (e.g., Satpalson, 2022, Ball, 2022, Hudson, 2022, Kacprzak et al., 2022). Ball describes it as the next Internet, meaning that the web we browse today will transform to the form of metaverse in the future (Ball, 2022, p. 60). Metaverse is predicted to be an immersive VR platform operating on the Internet that combines different VR-platforms as one immense entity, where its users can interact (Dufta & Rekola, 2023, p. 75). The Covid-19 pandemic accelerated the trend of metaverse when the whole world took a major digital leap due to the lockdowns all around the world. However, it is still in its infancy, and at the moment metaverse can be experienced mainly on different gaming platforms (e.g., Ball, 2022; Hudson, 2022; Freeman, 2022). Therefore, there are yet many unsolved issues related to metaverse such as its ownership and governance, and law and jurisdiction (e.g., Freeman, 2022; Satpalson, 2022, Ball, 2022).

In the history of technological development digitalisation has reshaped and affected significantly many industries, including music industries. Digitalisation has had an enormous impact on people's consumption and behaviour (Dufta & Rekola, 2023, p. 48). Regulations and legislation still continue to lag behind the fast paced technological development (2023). Music industries faced major difficulties twenty years ago with digitalisation when its main section, the recorded music industry, deteriorated (eg., Jalonon, 2022; Nordgård, 2018; Wikström, 2020). Streaming carries on to be the main consumption form of recorded music (IFPI, 2023), and live music has risen to be important revenue for artists (e.g., Wikstöm, 2020). However, after the struggles in the transformation to digital era, music industries have benefited from digitalisation once they adapted to it (e.g., Jalonon, 2022; Nordgård, 2018). Now record labels have already started moving towards the Web3 and metaverse with their strategies, and we have seen several major concerts on different gaming platforms in the past years. However, because metaverse is in its infancy, it is yet unclear how the music industries will adapt to metaverse, and how it can generate income to the artists in the future.

This thesis is a qualitative research studying the metaverse as a phenomenon in the context of music business. Music industries in Finland haven't been that active yet with metaverse trials apart from Music Finland. Music Finland was formed to help the Finnish music industries in their pursuit for internationalisation offering services such as networks, capacity building as well as funds and programs (Music Finland, 2023). As a pioneer music export organisation they created and implemented a metaverse-project in 2022. The metaverse project consists of a VR promotion platform, called Motel Finlandia, and collaboration with Decentraland platform for metaverse. This collaboration included taking two Finnish artists to the Metaverse Festival 2022. The metaverse pilot project was formed based on the current situation, and trends in the music industries as a trial for a new operating model (Music Finland, 2023). This metaverse-project serves as an empirical case for this research. In this thesis I'm examining what kind of position could the metaverse have in the music business in the context of business models, and how could artists benefit from it? Empirical material for my research was collected from this project.

Metaverse is currently a popular discussed topic, and Music Finland's pilot virtual platform for music promotion is a new opening in the field. Moreover, there is an interest in developing and seeking new operating models for music industries. Digitalisation has largely changed the music industries and the changes will carry on while technology develops. Metaverse is already widely used, and large companies are investing substantially in it. I will introduce examples of this later on in my thesis. However, the metaverse is still in its infancy, and the future development and adoption are yet undetermined.

Music Finland's metaverse-project is part of an extensive EU Recovery and Resilience Facility (RRF)-funded music industries growth strategy aiming to build new openings to the music industries (Music Finland, 2022.) The growth strategy project includes both gathering information about the current situation and executing practical export projects during 2022 (2022). Music Finland's music industries growth strategy has a desire to be a leader of new innovations in music export, and there will be low threshold trials of new innovations such as the Motel Finlandia platform (2022). It is important that the trials will be documented and analysed to keep the consistency of the development.

This thesis is commissioned by Music Finland. In this thesis I will introduce the project, and present the findings for Music Finland for further use for development of the metaverse-project.

It has been highly rewarding to examine this project in my thesis. During this research I have learned a substantial amount about a topic new to me. In addition, I am very interested in art export, especially music export, so this was an excellent opportunity for me to gather more insights about the operations and future innovations in the field. I have a desire to examine new topical phenomena and their implementation in music and other creative industries.

### **1.1. Aim of the Study and Research Question Formulation**

In this thesis I am studying the metaverse as a phenomenon, and the Music Finland's metaverse-project acts as an empirical case for this research. The aim is to examine what future expectations the participants who engage in this project hope to achieve from the metaverse in the context of the music business, and its associated business models, whilst in its infancy.

This pilot project offers an opportunity to view and reflect the metaverse in the framework of music business. The case will offer me insights to the topic of metaverse from a music industry professionals perspective. I am seeking to understand and analyse what the metaverse can mean in the context of music business, and more specifically how can the artists and music creators benefit from it in the future? Moreover, what are the main challenges still to be solved regarding the metaverse in the context of music business? In order to receive answers to these research questions, I implemented this empirical case study research about the metaverse-project by Music Finland.

To achieve these aims of the research, I introduce the following main research question:

- What kind of position could the metaverse have in the music business in the context of business models alongside the existing business models?

Sub-questions used to support the main question are as follows:

- How can artists and music creators benefit from the metaverse?
- What are the industry professionals' future expectations for the metaverse?
- What are the risks, limitations, and challenges in the metaverse in the context of music business?

This thesis is building on the theoretical frameworks of music industries, digitalisation, and metaverse. The data consists of four semi-structured interviews with representatives of the metaverse-project including both Music Finland's and artists' representatives. Additionally, data was collected at the Metaverse Festival by participatory observation.

## **1.2. Limitations**

The approach of this study is from a music industries business model perspective. However, both metaverse and music industries are highly broad concepts and therefore there are many approaches one can take to study them. Hence, there are limitations to this study.

Firstly, this thesis mostly excludes the technical side of metaverse and only touches on the topic superficially.

Secondly, one main challenge in building the metaverse is data safety and privacy. The whole concept of data economy and how related safety issues will be addressed in the development of the metaverse has been excluded from this study mainly because of the extent of it. This topic was referred to briefly in the data collected for this research, but other topics were more relevant in terms of the aim of this research. Hence I chose to exclude it from the findings. However, data safety and privacy are highly important topics when it comes to the metaverse in the context of music industries as well. This requires further research.

Even though this research touches on the topics of copyrights and property rights, and law and jurisdiction, these topics require further research relating to the metaverse. However, these topics perhaps require further time for the metaverse concept to mature, and to see where this development will lead.



In addition, this thesis excludes topics related to metaverse such as ethics, the challenges of reputation and identity, currency and payment, ownership and property, community and network in metaverse (eg., Freeman, 2022; Satpalson, 2022). These topics require more research in the context of music industries as well.

### **1.3. Structure of the Thesis**

This thesis is divided into five main chapters and each of them contains several sub-chapters. The first chapter, introduction, describes the background to the study, context, research gap, personal interest, limitations to the study, and introduces the aim and formulation of research questions of the study.

The second chapter contains the theoretical framework. This chapter is further divided into two main sub-chapters, music industries and metaverse. Both of these sub-chapters contain further subchapters. In the chapter of music industries I introduce and analyse the previous research, and concepts of music industries business models focusing on digitalisation. Furthermore I will briefly touch on copyrights, music licensing, live music business, artist brand, and non-fungible tokens (NFTs) because they are the most relevant aspects of music industries to this study. I progress to the metaverse which is the other main part of the theoretical framework. In the chapter of metaverse I will analyse the main concepts related to metaverse, and review the metaverse from the music industries standpoint. Finally, I will end the theoretical framework chapter by critically reviewing the metaverse.

In the third chapter I will introduce the research methods of this analysis. First I will introduce the research approach of the thesis, and then move on to case study and selection. I will then describe the data collection process, which are interviews and participant observation. Finally I will introduce the data analysis process and critical reflections of the process.

In the fourth chapter I will introduce the case of this study starting with the introduction of Music Finland. I will describe the background to the case including the introductions of Music Industry Growth Strategy, and music industry trends. Then I

will introduce the Music Finland's metaverse project in more detail containing the aim and participants of the project, followed by a description of the Motel Finlandia VR-platform, including a description of The Metaverse Festival.

The fifth chapter contains the findings of this study as well as analysis and discussion. I will introduce the main findings under every sub-chapter and reflect them on the theoretical framework introduced earlier in chapter two.

## **2. THEORETICAL FRAMEWORK**

In this chapter, I will present the themes, theories, and concepts relevant for this research. The main themes, existing research and theories presented and analysed in this chapter are music industries, digitalisation, and metaverse.

In the music industries part of the theoretical framework I will more specifically focus on copyrights, music licensing, live music business, and artist brand sectors of the music industries, and justify their relevance for this study. I will also briefly touch upon the concept of non-fungible token (NFT) because it is one of the new music business revenue sources, and strongly linked to metaverse. This study examines the metaverse as a phenomenon in the context of music industries. My premise to the topics are from the business models point of view. The main focus being on how metaverse could fit in the field? Moreover, how could it benefit the income generation for artists? In order to discover what kind of position the metaverse could have in the music business in the context of business models, understanding about the existing business models is required. In addition, a review to how the digitalisation reshaped the dynamics, and affected different sections of the music industries is relevant to the study to reflect the past changes to the current ones.

Even though the concept of metaverse has been trending largely in the past years, the specifics are still largely unknown. Hence, it is justified for this study to glance more into detail of what metaverse actually is, why it is relevant and trending now, who will build the metaverse, when will it arrive, and what openings have already been executed in the music industries? Moreover a critical view to the metaverse is required to distinguish the risks, challenges, and limitations of it in the middle of the metaverse

“hype”. This understanding assists to move on to the findings and analysis of this research.

## **2.1. MUSIC INDUSTRIES**

Since music industries are a key concept in this study, it is justified to define it before we move on to the structure and business models in more detail. There are many ways music industries are defined, and many interpretations of what is considered to be internal and what external stakeholder.

According to Nordgård, the music industries are dynamic, complex and contain plurality (Nordgård, 2018). The music industry is a heterogeneous combination of different industries, and each main division contains value chains (2018, p. 28). Hence according to Nordgård, we should refer to “music industries” as plural instead of using the singular term “music industry” to avoid the image of homogeneous nature of the music industries (2018, pp. 7–11). However, many refer to the music industry as singular, or simply talk about the music business (e.g. Passman, 2019; Harrison, 2021; Herstand, 2019; Akdeniz, 2016).

Music industries are formed by several different sectors most commonly divided as music recording industry, live music industry, and music publishing/licensing (e.g. Laing, 2009, p. 16; Nordgård, 2018, pp. 5–6). However, Nordgård argues that some would include merchandising as a fourth part of it, and additionally also the live music sector, as an extension of the recording music industry (2018, pp. 5–7).

Digitalisation has reshaped the music industries, and there are many other stakeholders involved, platforms where music is played, and ways for artists to generate income due the technological development. The modern day music industries can be considered to extend wider due to digitalisation (e.g., Herstad, 2023; Wikström, 2020; Tshmuck, 2016). Streaming platforms such as Spotify, and Apple Music are playing a central role in the recording music industry (e.g., Nordgård, 2018). Herstad argues that social media platforms such as Instagram and currently most relevant, TikTok, have gained an important role in the music industries (e.g. Herstad, 2023, p. 11). He further argues that new ways for artists to generate significant income and

capital such as NFTs are topical in the music industries (2023). Hence, the line in what is considered to be internal and external stakeholder is perhaps more difficult to draw in today's climate.

Wikström highlights the importance of copyrights in the music industries. He argues that because copyrights are at the core of the economics of the music industries we know today, the music industry should be considered a copyright industry (Wikström, 2020, p. 33). In the digital era the copyrights are indeed a highly important source of revenue for artists and songwriters.

Nonetheless, in music industries no matter how one chooses to define or induct it, it is largely agreed that the artists-fan relationship is in the centre of it and its ultimate core (e.g. Nordgård, 2018; Passman, 2019; Harrison, 2021; Herstad, 2019; Akdeniz, 2016). According to Herstad, in the modern day music business artists and songwriters are in the centre of the music industries (Herstad, 2023). In his literature he focuses on the new music business, and how artists can build their career and generate income from various sources also as independent artists (2023). According to Herstad, artists themselves can self-manage, and get direct support from their fans (2023).

In this thesis I will use the term music industries when talking about all these combined industries as a whole.

### **2.1.1. Business Models and Digital Change**

Digitalisation is a key concept in this thesis. Therefore in order to study metaverse phenomena in the context of music business, further exploration is needed to understand what the existing business models are, and how the digital change affected the music business. Furthermore, what challenges the music industries faced with the digital transformation twenty years ago, and how this has affected the business models and revenue sources. Are the challenges and the change anyhow comparable to the change we are facing now?

The music industries has faced a large number of changes in the past decades. According to Nordgård, the music industries traditionally are often seen simply as a music recording business, even though it contains a lot more (Nordgård, 2018, pp. 5–6.). For a long time music production, distribution, public relations and marketing as well as concerts were all circled around record sales being the main revenue source in the music industries (Tshmuck, 2016, p. 15). Recorded music was dominant in the music industries from the 1950s to 2000s until digitalisation appeared. Record sales started to decrease due to digital change and piracy (2016). Digitalisation however has led to streaming, which has become the main revenue source for recorded music (e.g., Tshmuck, 2016; IFPI, 2023; Passman, 2019). According to Passman, streaming services, such as Spotify, have changed how people consume music profoundly, and the concept of an album all together is challenged now when in the streaming era the emphasis is on tracks (Passman, 2019, pp. 10–11). Therefore, the music industries has faced significant changes in the past two decades from the digital music market taking over in the recorded music field.

Digitalisation has fundamentally changed the distribution of music. According to Tshmuck, digital music sales exceeded physical music sales for the first time in 2014 (e.g. Tshmuck, 2016, p. 18). According to the International Federation of the Phonographic Industry (IFPI), streaming continues to be the dominant format globally and the trend is steadily increasing continuously (IFPI, 2022, p. 11). In 2022 67% of the global industry revenue came from streaming, whereas the share for physical revenue was only 17.5% (IFPI, 2023, p. 11). Therefore, the digital market has become the dominant market for music, and it is getting stronger all the time.

Digitalisation has changed the power structure and dynamics of the music industries. Digitalisation has brought the artists more to the centre of the industries granting them more power, and record label deals are no longer required to publish music (e.g. Tshmuck, 2016, p. 16; Passman, 2019, p. 9; Wikström, 2020, p. 26). The digitalisation and decreased production costs has enabled artists to publish their music without record label deals, and produce their albums at home (e.g. Herstand, 2023, p. 28; Tshmuck, 2016, pp. 17–19). Many artists don't need record label deals anymore, and go on with their careers as DIY artists (e.g. Harrison, 2021, p. 20–21; Herstand, 2023, p. 28; Tshmuck, 2016, pp. 14–15, 24). In addition, Herstad highlights that artists these

days can benefit from various income streams and self-manage (2023). However, according to Nordgård, instead of understanding DIY culture as an alternative way to operate in the music industry, it could rather be understood as an extension of the industry alongside of the other business models (Nordgård, 2018, p. 19). Therefore, perhaps metaverse could also be seen as an extension of the existing industries?

According to Nordgård, it is not clear if digitalisation has increased the artist's control, or if it is decreasing the industrial power (Nordgård, 2018, p. 19). Nordgård further argues that the power position of an artist due to digitalisation, can be interpreted also as a negative development leaving the artists in control and responsible of their whole careers and revenue streams (2018, p. 19). Wikström argues that the new dynamics due to digitalisation have also decreased the control of the music industries, turned music from product to service, and increased competition including amateurs publishing more music than before (Wikström, 2020, p. 26). Overall, even though the recorded music and music publishing practices have changed, record labels still hold a highly important role in the music industries. Moreover, record labels are still in a prominent position in the music industries constantly expanding their services wider.

Since changes happened in the recording industry due to digitalisation, live music has become an important revenue for artists and emphasis on the recording industry has decreased (e.g. Tshmuck, 2016, pp. 20–21; Nordgård, 2018, p. 7; Wikström, 2020; p. 121). According to Frith, this has led to increase in audience sizes, number of events and festivals, and extent of tours (Frith, 2007, p. 4). Overall, the live music industry has become an extremely significant section in music industries. I will talk more about the live-music industry in the coming paragraph.

According to Nordgård, social media has brought the artists and fans closer together that even the bounds between consumer and producer in music has become blurred (Nordgård, 2018, p. 10). However, it has been largely agreed throughout the times and changes that the very basis of the music industries lies on the relationships between artists and fans (e.g., Nordgård, 2018, pp. 6–7; Tshmuck, 2016, pp. 15–16; Morris, 2013, pp. 273–290). Therefore, even though the industry dynamics have changed, the fundamental core of the industries have stayed the same.

Music industries have faced challenges in the past adapting the digital transformation and framework conditions in the market (e.g., Nordgård, 2018, Jalonen, 2022, p. 36). According to Nordgård, internal complexity of the structures of the music industries, external pressure, and the role of policymakers have played a large part in the challenges of the transformation (2018, p. 121-122). However, Jalonen argues that after first resistance against the digital change, the music industries have integrated to the digital era and the consumption of music is increasing (Jalonen, 2022, p. 36). Hence despite the challenges in many ways the music industries have benefited from digitalisation.

Digitalisation has profoundly changed and reshaped the music industries. The metaverse is anticipated to be the next major technological development, and my aim is to study how the metaverse will position itself in the development of music industries. Are the challenges transforming towards the Web3 and metaverse comparable to the challenges the music industries faced twenty years ago? Where does metaverse fit in, and how can the artists and music creators benefit from it, and on what terms? What are the main objectives and challenges in this current transformation?

I will now move on to key business models of music business relevant to this study: copyrights, music licensing, live music business, artists brand, and Non-Fundigle Tokens (NFTs).

### **2.1.2. Copyrights**

Copyrights are essential for artists in the digital era when streaming is the main revenue for recorded music. Copyrights are also in key positions in the transformation to metaverse when it comes to revenue for artists and music creators. Music will be presented on metaverse increasingly in the future, and the question is how will the existing copyright jurisdiction be suitable for future platforms? Moreover what measures are needed in order to secure the revenue for music creators and artists on metaverse?

International copyright legislation protects created original work automatically and gives the authorship to the creator (Copyright Alliance, 2023). Copyright is a collection of rights that includes the right to reproduce the work, to distribute copies of your work, to prepare derivative works, and perform your work publicly (2023). Copyrights are territorial, and different countries have their own national regime on copyrights (European Parliament, 2010, p. 5) In Finland copyrights in music are handled by Teosto and the collective management organisation for recorded music Gramex (Teosto, 2023; Gramex, 2023).

It is largely agreed that copyrights are in the centre of the music business, and essential to artists especially in digital ages (e.g. Searle, 2020, p. 1; Nordgård, 2018, p. 18; Wikström, 2020, p. 33). Nordgård and Wikström argues that the digital age in the music business has emphasised the significance of the international copyright legislation because of the nature of the products (music) and the industries (e.g., Nordgård, 2018, p. 14; Wikström, 2020, pp. 44–49). According to Wikström, the best way to understand the digital dominated music industries we know today, is to view it as a copyright industry (Wikström, 2020, p. 33). Wikström argues that by doing so, it gives the industries clearer definition and sets the emphasis of the industries on the created and traded products within the industries (2020, p. 40). Therefore, copyrights are a highly important aspect of the digital music economy, and they will also pay a large part in the metaverse when it comes to generating income to music creators.

Even though copyrights are an essential part of the music industries, there are many issues attached to them. Nordgård emphasises three significant factors related to copyrights in digital age: the declined public approval against copyrights; the debate around the economics of the copyrights; and the problems of internal balancing with copyright's intended aims and digital frameworks and conditions (Nordgård, 2028, pp. 16–18). The digital era has decreased the public approval of copyrights, and this affects the willingness to pay for digital products. When digital change happened, the piracy took over, and there were a large number of complications inside the music industries to provide a satisfactory legal digital product for the consumers (2018). Furthermore physical music products were copyright protected in a more invisible way for the public (as cited in Norgård, 2018, p. 14.) Consumers did not have much experience nor knowledge of copyrights (2018). Hence the attitude for copyrights



changed towards a negative direction in the digital era. Nordgård argues that due to digitalisation the access to music has turned unpreventable and changed the music into a public good (2018, p. 17). Copyrights exist to prevent the free usage of music (2018), and they will also be relevant on metaverse. However, the consumers being willing to pay can be problematic.

Moreover copyright in economical debates has increased focusing on copyrights being an incentive for creating music, and whether it has affected the quantity and quality of music (Nordgård, 2018, p.15). Quantity of music added to streaming platforms such as Spotify is indeed growing continuously. It is estimated that around 60,000 recordings are added to Spotify daily and prediction is that the number will accelerate (Music Business Worldwide, 2021). Wikstöm agrees with the fact that digitalisation has increased the competition of revenue between professional artists and amateurs (Wikström, 2020, p. 26). Cohen however points out that there is an inequity in how the revenue from streaming is received between songwriters and labels/recording artists (Cohen, 2023, p. 45). According to Cohen, while the streaming services have become more commercial the copyrights do not bring enough revenue to rights owners (2023, p. 50). Therefore for many artists the revenue from the copyrights don't generate much income. Hence, new revenue sources are needed for artists and music creators.

Nordgård raises the issue of internal difficulties with balancing copyright's purpose in the digital era (Nordgård, 2018, p. 16). Copyrights are fragmented between many owners and this has led to a challenge of the process of using music becoming too difficult and unpredictable (2018, p. 17). According to Nordgård, this has led to businesses and investors stopping investing in music (2018, p. 17). Cohen argues that when it comes to copyright infringements the legal standards are being ignored by the technological industry and legislation is lagging behind in regulations (2023, p. 51). Therefore the copyright legislation is too complex to serve the modern day music industries in full potential, and development in updating it in terms of being suitable for modern platforms, is happening too slowly.

Tschmuck highlights the importance of the synchronisation rights that has become a highly important revenue source for artists (Tschmuck, 2016, pp. 21–22).

Synchronisation rights gives control to the artists of their work when being e-connected to other media content, such as films, TV productions, games, and advertising (2016). Indeed, the synchronisation revenues increased in 2022 by 22,3% from the previous year (IFPI, 2023, p. 13). However, the recovery from Covid-19 has affected this and the revenue from the global market is 2,4% (2023). Nonetheless, there is an increasing market on other media platforms for artists, and synchronisation revenues are steadily increasing.

### **2.1.3. Music Licensing**

In a similar way to copyrights, music licensing lies at the core of the music economy (e.g. Nordgård, 2018; Laaksonen, 2018; Wikström, 2020). Music is largely used for instance in films and TV-productions, and music licensing generates the revenue to the copyright owners (Laaksonen, 2018). Tshmuck highlights the importance of generating revenue and visibility for artists in collaboration with film studios, TV production firms, games developers, advertising agencies (Tshmuck, 2016, p. 22). Therefore, music licensing is an important factor in the music economy, and related also to using music on metaverse.

According to Wikström, the synchronisation royalties have increased for the past twenty years (Wikström, 2020, p. 147). However, Jalonen raises the problem of the complicated and time consuming process of getting permission for usage of music (Jalonen, 2022). According to Jalonen, music licensing for game and AV-productions are lagging behind development (2022). Nordgård highlights the issue of music industries' internal difficulties and its own incapability of providing means for music licensing (Nordgård, 2018, p. 16). New solutions are needed especially in relation to the gaming and AV industries (Jalonen, 2022.) This will also concern the music in the metaverse.

According to Jalonen, the connection and cross-industry collaboration opportunities between music industries and AV productions are however recognised (Jalonen, 2022, pp. 5–6). New sustainable cooperation models are in process for the music industries to work more closely with the technology, game and finance industry in the future (2022). However, constant opportunities are lost because of the licensing challenges

and related complexity with collaboration with AV-productions. Because the rights to be represented are fragmented, and the process timeline and prices unclear, the AV-productions often go for catalogue music instead (e.g., Jalonen, 2022, p. 32; Nordgård, 2018, p. 17). Therefore there is a need for more simple solutions for licensing (2022). This issue is important to be addressed now in early stages of metaverse development.

Music licensing has already proved to be a challenge on new platform openings such as metaverse. Roblox has already faced claims about potential copyright infringements from The National Music Publishers' Association (e.g., Robertson, 2021; Copans, 2021). According to Jalonen, licensing is the way to enable usage of music on any platform and music rights could be utilised on constantly diversifying platforms (Jalonen, 2022, p. 33). He further argues that finding new more simple ways of licensing music is more about state of will and mindset towards it (2022). However, the music industries seems to be licensing new services more willingly than before, but a wider and quicker approach would be required (2022). Therefore new ways of licensing and cross-industry collaboration are required to avoid potential copyright infringements also on metaverse platforms.

#### **2.1.4. Live Music Business**

David Bowie predicted in 2002 in an interview with New York Times, that the music business will change drastically, and live music will take over as a dominant revenue.

*“The music itself is going to become like running water or electricity. So it’s like, just take advantage of these last few years because none of this is ever going to happen again. You’d better be prepared for doing a lot of touring because that’s really the only unique situation that’s going to be left.” (Bowie, 2002, New York Times.)*

Even though Bowie was mistaken with the timeline of his prediction, live music indeed has become the biggest revenue source for artists in the music business (e.g., Wikström, 2020; p. 121; Tshmuck, 2016, p. 20; Nordgård, 2018, p. 28). Metaverse

could perhaps offer a new platform and opportunities for unique situations in music industries, which Bowie points out will matter in the future?

The number of shows and the prices of the tickets has increased as a consequence of live music becoming a significant sector to generate income (e.g., Wikström, 2020, pp. 121-122; Frith, 2007, p. 1; Nordgård, 2018, p. 29). According to Wikström, one of the reasons for this is the loss of revenue from the recorded music business has driven artists to tour more to cover this loss (Wikström, 2020; p. 122). According to Frith, even though the ticket prices have risen significantly, the value of music is highlighted in live experiences, and therefore people are willing to pay (Frith, 2007, p. 4). Indeed, the audience sizes, number of events and festivals, and scale of tours has expanded with the help from development of performance technique and event venues (2007, p. 4). Overall, the business model of the live music industry in popular music is mainly based on commercial sponsorship and ticketing (e.g. Frith, 2007, p. 7; Tshmuck, 2016, p. 25).

Merchandise has become an important additional income for artists, and is closely linked to the live music industry. The production, distribution and promotion of fan articles i.e. merchandise is additionally strongly linked to artists' brands. Most of the merchandise revenue is made in connection to the live performances. Hence this makes merchandise income closely linked to the live music industry (Tshmuck, 2016, p. 21.)

Live music has indeed become a significant source of income for artists. Wikström argues that the live music economy will soon be the most dominant one in the music industries such as the recording music industry used to be (Wikström, 2020, p. 216). However, Tschmuck points out that the frequency of superstar tours causes challenges for newcomer and more marginalised artists to compete with the audience. Nonetheless, in the overall context, live music is no longer considered just a tool to record sales.

This shows how the dynamics in music industries have already changed significantly in the past decades due to digitalisation, and there is more demand for experiences around the main product, music. One of the future more common venues for

performances and new revenue could be on the metaverse. We have already seen major openings in metaverse concerts including virtual merchandise “verch” sales (Hackl, 2021). I will talk more about this in the coming chapter.

### **2.1.5. Artist Brand**

Artists are the brands of the music industries, and they are able to generate additional revenues from sponsorship deals, licensing, acting in films or series, and touring (e.g., Tschmuck, 2016, pp. 23–24; Wikström, 2020, p. 216). According to Meier, digital transformation together with today's promotion-oriented culture has indeed turned artists to instruments of promotion (Meier, 2016, p. 2). Meier argues that due to the changes the music industries faced due to digitalisation, the business model of music and branding, corporate relationships gained more significance (2016, p.18). Meier further argues that even though this has opened new revenue opportunities for artists, at the same time this highlights the changes in the nature of music industries due digitalisation (2016, pp. 18–19). She argues that the music industries has transformed more into a promotional industry, and revenue is generated from multiple streams which all tie to artists' brand (2016, pp. 18–19). Therefore, an artist 's brand is a highly important business model in the modern music industries to generate income.

Wikström points out that social media has increased brand collaborations, and acted as an important platform for building artists' brand image (Wikström, 2020). According to Wikström, media and digital platforms are in the centre of artist-fan communication (Wikström, 2020, p. 138). Wikstöm further argues that regardless of increased touring many people don't get to see their favourite artists perform live (2020, p.138). Hence these additional channels to follow the artist have taken the fan-artist relationship forward, as well as affected the artist's brand image (2020).

Artists-fan relationship, and dependency, remains at the core of the music industries (e.g. Morris, 2013, pp. 273–290; Nordgård, 2018, pp. 6–7; Tshmuck, 2016, pp. 15–16). However, according to Wikström and Morris, in the digital music economy the role of fans has changed significantly (Wikström, 2020, p. 32; Morris, 2013, p. 273). Not only can the fans follow artists closely in real time, but this additionally includes changed roles in music production, distribution, promotion, and funding

(2020; 2013). Artists and fans are more connected these days due to digitalisation. The digitalisation and the new music economy has led to the audience contributing to productions of music instead of being passive consumers (Wikström, 2020, p. 226).

Artist brand as a business model is a central concept to this study. Artists have benefited from digital platforms in the past. Metaverse could be an additional platform where artists can be connected with their followers, develop their brand, and generate income. Furthermore, the artist-fan relationship has changed due to digitalisation, and there is perhaps demand for new methods of being connected. Therefore, there is potential in metaverse to become a valid platform in brand development, collaborations, and communication with fans.

#### **2.1.6. Non-Fungible Tokens (NFTs)**

The unique digital goods, non-fungible tokens (NFTs), will play an important role on metaverse. NFTs are one of a kind collectibles, goods or services, that are recorded on blockchain (e.g., Herstad, 2023, p. 364; Kacprzak et al., 2022, p. 15; Hudson, 2023, p. 46). NFTs have unique codes and they are not replaceable (Cohen, 2023, p. 59). NFTs don't have a set defined value such as currency does, but it can change (Herstad, 2023, p. 364). NFTs are not interchangeable, and the owner possesses both the ownership to the token, and the intellectual property linked to the token (Cohen, 2023, p. 59).

NFTs are unique digital files, and in the music field they normally are limited edition items such as short videos (Herstad, 2023, p. 365). According to Herstad in a similar way to purchasing any physical collectible, the status symbolism is the main attraction to purchase digital limited edition items (2023). However, some NFTs are connected to physical items and offer for instance a ticket to a show by purchasing NFT (2023).

In the metaverse NFTs can be a significant means to generate income for artists. I will introduce a few examples from the music industries in the coming chapter.

## **2.2. METAVERSE**

The concept of the metaverse has been trending significantly in the past years and many major companies, such as Microsoft, Meta (Facebook), Apple and Google, have considered metaverse in their strategy in different ways (e.g., Ball, 2022; Hudson, 2022; Freeman, 2022). Furthermore, the major record labels are seeing significant potential in metaverse, and investing largely in metaverse related projects and its development in their strategies. However, metaverse is still in its morning phase and, like any other new technology in history, it is causing both scepticism and excitement. Nevertheless, there are many unsolved matters related to metaverse, different motives behind it, and competition about its ownership.

In this chapter I will analyse the main aspects about the metaverse related to this study: what does it actually mean, why is it relevant and trending now, how does it work, and what can you do in the metaverse? In addition, I will touch upon the topics of who will possibly build the metaverse; what is the purpose of it; when it will actually arrive for mainstream use; and what challenges it is still facing? Finally, I will consider what position it could have in the music industries alongside existing business models, how artists and music creators could benefit from it, and what additional challenges there will be? Additionally, I will introduce in the beginning of the chapter a glossary of key terms related to metaverse in the concept of this research, in the hope that it is easier to follow the chapter.

### 2.2.1. Glossary of Related Terms

Web3	Web3 is the future version of the internet we know today. It is built on distributed technologies like blockchain (e.g., Ball, 2022, p. 58; Hudson). Web3 is a decentralised internet run by independent user community and developers instead of internet giants currently running the Web, such as Google, Amazon, and Microsoft (2022; 2022).
Blockchain	Blockchain is a decentralised distributed database or ledger that enables assets to be traded, tracked openly and owned with recorded

	<p>transactions making it secure (e.g., Freeman, 2022, p. 22; Kacprzak et al., 2022, p. 11).</p>
Virtual Reality	<p>Virtual Reality (VR) is a simulated artificial environment created by technology. VR enables the user an immersive experience where they can interact in 3D surroundings (e.g. Freeman, 2022, p. 26; Kacprzak et al., 2022, p. 11)</p>
Augmented Reality	<p>Augmented Reality (AR) is a technology that enables placing digital tools or objects to reality using phone screens or AR glasses (Freeman, 2022, p. 24). Snapchat filters and Pokemon Go-game are popular examples of AR technology.</p>
Decentralisation	<p>In decentralisation the power is transferred from central bodies such as establishments and governments to users bringing more equal supremacy (Freeman, 2022, p. 22). In a decentralised system no group or individual has ultimate power, but the power and authority is spread to all the users (2022).</p>
Cryptocurrency	<p>Cryptocurrency stands for decentralised virtual or digital currency stored on blockchain technology (Freeman, 2022, p. 22). Cryptocurrencies on metaverse are for instance SAND used on Sandbox gaming platform, or MANA the own currency of Decentraland platform (e.g., Freeman, 2022, p. 56; Kacprzak et al., 2022, p. 11).</p>
Decentralised autonomous organisation (DAO)	<p>Decentralised autonomous organisation (DAO) is authorised by its members without interference from the central government. DAO is constructed on transparent rules that are encoded as a computer program. The rules are controlled by the members. (Freeman, 2022.)</p>
NFTs	<p>Non-Fungible Tokens (NFTs) are non interchangeable goods or services recorded on a blockchain. (Kacprzak et al., 2022, p. 15). NFTs are unique and they don't have defined value such as cryptocurrencies does (Herstad, 2023, p. 364).</p>



### 2.2.2. Defining Metaverse

Even though the metaverse is currently largely discussed and invested in by large companies, there is a great deal of confusion around it and various definitions for it. However, there is a partial mutual understanding in defining the metaverse. It is largely agreed that the metaverse is a largely scaled never-ending, 3D virtual environment network with unlimited user capacity focusing on social connection (e.g., Cheng et al., 2022; Ball, 2022; Mystakidis, 2022; Kacprzak et al., 2022).

To have a full experience of the metaverse it is necessary to have a device such as a pair of VR-goggles. (e.g., Kacprzak et al. p. 5; Freeman, 2022, p. 21; Hudson, 2022, pp. 42–23). However, according to Kacprzak et al, it is possible to connect to metaverse from your laptop, or mobile device without any additional device, but your experience might be limited (Kacprzak et al., 2022, p. 5) In metaverse people can interact in real-time in virtual worlds and virtual objects as avatars (2022).

The word metaverse itself means “beyond the universe” (e.g., Mystakidis, 2022; Kacprzak et al., 2022; Ball, 2022). The metaverse is a combination of digital virtual content, and physical life with hardware devices that enables users to interact with digital contents within a real-life space (e.g., Kacprzak et al., 2022, p. 5; Freeman, 2022, p. 21; Hudson, 2022, p. 20).

The metaverse is global and requires a large amount of data about its users (Ball, 2022, p. 29). In the metaverse the real-world characteristics are applied in an online environment and this allows users globally to interact, and for instance, shop, play, work, and attend events (e.g., Kacprzak et al., 2022; Ball, 2022; Freeman, 2021). These features of defining the metaverse are largely agreed on.

However, because of the early stages of metaverse’s history, there are further disagreements in defining it, mainly because there are yet many unsolved questions around the metaverse. There are different views about how significant the metaverse will be, when it will arrive, and how it will work (Ball, 2022, pp. 23–24; Hudson, 2022, pp.18–19). According to Ball, there are competing definitions to the metaverse

based within the context of a given company's own preferences and competence (2022).

Furthermore, according to Hudson there is a disagreement over whether in the future there will be multiple metaverses, like there are now on different gaming platforms, or just one major immersive metaverse, that would connect everyone. (Hudson, 2022, pp. 18–19). Ball refers to the metaverse as a 3D version of the entire internet (Ball, 2022, p. 60). Hudson further argues that it makes defining the concept of metaverse even more difficult because of its never-ending infinitive appearance. (Hudson, 2022, p. 20). Therefore, there is still a number of confusions around the concept of the metaverse which makes it difficult to be defined.

Ball further argues that many major companies seem to have a metaverse strategy without fully understanding the concept of it, or how it will function in their company (Ball, 2022, p.19). Zitron agrees with Ball, that many companies are offering some metaverse-product without understanding the meaning or purpose of it themselves (Zitron, 2023). For instance, the CEO of Meta, Mark Zuckerberg, emphasises the social aspects of the metaverse, focusing on connecting people all around the world, and the “feeling of presence” in the metaverse (Meta, 2021). Whereas Microsoft additionally focuses on social forms, but in the working environment investing in Microsoft Teams platform (Microsoft, 2022). However, it suggests that Nvidia and Apple are more emphasising on exploration of new metaverse related technology and bringing them to the market (Nvidia, 2022; Apple, 2022). Overall, companies are trying to find their own niche in the market for this forthcoming promising, and progressive technology.

Many companies therefore see the potential value of the metaverse and the large scale of opportunities it could offer. Hudson argues that because of the potential value of the metaverse, the private industry is not only content with leading the development of it, but in addition wants to own and define it (Hudson, 2022, p. 25). According to Ball, a similar kind of disruption in conversations happened back in the days when the internet was yet to be defined and launched to its full potential (Ball, 2022, pp. 22–24). He further argues that this kind of confusion and conversations are common with emerging technology when its timing, potential and nature are not yet understood

(2022). Therefore there are further disagreements in defining the metaverse mainly because no one yet knows how the metaverse will look like in the future, how largely it will be adapted and who will govern it.

Not only does the metaverse appear to be the next natural step in technological development from the mobile internet era, but the purpose of the metaverse lies in online social aspects and human contact. The metaverse makes the experience more immersive and lifelike than just browsing and interacting on the internet, like we are familiar with today (e.g. Zuckerberg, 2021; Hudson, 2022, pp.11–12). Furthermore, VR and AR are tools expand that immersive experience of the metaverse (Hudson, 2022). However, according to Hudson, the purpose of the metaverse will be defined more deeply on an individual level depending on whether they will seek to use metaverse, for instance, for entertainment, work and business, education, or just socialising with people around the world (Hudson, 2022, pp. 20–23). Overall, Hudson argues that there is much individual freedom in defining the purpose of the metaverse and the main goal is bringing people together in this shared virtual universe (2022, p. 23).

Definition and purpose of the metaverse are key concepts in this study when the aim is to evaluate the position of the metaverse in the music business. This will be justified more in detail in the last chapter when I analyse the findings of this research and reflect them to the theory.

#### **2.2.2.1. Why Metaverse?**

To understand the metaverse phenomenon it is beneficial to gain more understanding why metaverse has been trending strongly in recent years. After all, reproducing real-life environments in the virtual world is not a new concept, and it has been promoted by the gaming industry for years (e.g., Satpalson, 2022, p. 20; Ball, 2022, pp. 9–10; Kacprzak et al., 2022, p. 5). Virtual world platform, Second Life, was launched in 2003 followed by more mainstream gaming platforms such as Roblox, Epic Games' Fortnite, and Minecraft in the 2010s (e.g., Satpalson, 2022, p.14; Ball, 2022, pp. 9–10; Hudson, 2022, p. 8).

According to Kacprzak et al., the development of gaming technology has enabled the Metaverse platforms to become innovative, creative and constantly evolving such as Decentraland, Illuvium, and Sandbox (Kacprzak et al. p.5). Moreover, according to Ball the gaming platforms have emerged and added more variety in content and transformed into social platforms (Ball, 2022, p.11). This has led real-life and virtual life to unite more strongly than before (Kacprzak et al., 2022, p. 6; Ball, 2022, p.11). Whilst the concept of the metaverse is not new, today it offers wider opportunities to its users to interact, shop, play, build, create, and attend or host events (e.g., Freeman, 2022; Kacprzak et al., 2022; Ball, 2022).

There are several reasons why everyone appears to be talking about the metaverse today. The lockdowns all around the world due to the Covid-19 pandemic outbreak caused the metaverse trending to expand, when a large leap towards virtuality was taken in order to adjust to the conditions (e.g., Freeman, 2022, pp. 37–38; Chang et al., 2022, p. 1; Ball, 2022, p. 247).

One factor causing the recent trending of the metaverse is the announcement in 2021 of former Facebook CEO, Mark Zuckerberg, changing Facebook company name to Meta together with introducing their metaverse vision (Meta, 2021). According to Hudson and Freeman, this caused the concept of the metaverse trending largely and many major companies followed by announcing their metaverse strategies and visions not long after (Hudson, 2022, pp. 13–16; Freeman, 2022, p. 61). Zitron describes the excitement that followed after Zuckerberg's announcement around metaverse being obsessive in the tech world (Zitron, 2023). However, even companies outside the technology industry joined the hype, such as Disney (Towey, 2022) and Walmart (Augustin, 2022). Overall, Zuckerberg's announcement caused metaverse trending broadly.

Furthermore, according to Hudson the technological development; new devices, and infrastructure we have today enables taking the metaverse to the next level (Hudson, 2022, pp. 9–11). Kacprzak et al. further argues that the mobile technology has already adapted fundamental elements of advanced reality and the development of the physical and virtual worlds will be integrated with the technology we already know (Kacprzak et al., 2022, p. 8). Therefore development from the mobile internet era to

Web3 technology seems to be the next step in the development of technology where the metaverse will be playing the central role.

Many reasons have affected metaverse trending including the Covid-19 pandemic, technological development, and major companies such as Meta taking steps towards developing their metaverse related strategies. Thus this recent trend of the metaverse is taking place for several reasons. However, according to Zitron, the hype around metaverse has now been decreasing. Zitron argues that this is due to the lack of coherent vision of the metaverse (Zitron, 2023).

### **2.2.3. Who Will Build the Metaverse?**

To develop the metaverse to its full potential there is a demand for shared goals, regulations, and considerable collaboration. Until now the gaming industry, such as Roblox and Epic Games' Fortnite, has been in the forefront of building the metaverse (e.g. Kacprzak et al., 2022, p. 7; Ball, 2022; pp. 64–65; Hudson, 2022, p.11). However, it is suggested that it will require extensive collaboration, contribution, and shared goals from many stakeholders to build one major mainstream metaverse where everyone online would be connected, such as the internet is today (e.g., Hudson, 2022, pp.18–19; Ball, 2022, p. 63; Kacprzak et al., 2022, p. 8).

Even though Zuckerberg was highly ambitious about building the metaverse in 2021–2022 (Meta, Connect 2021, 2021) it was possibly premature, and he has been forced to take steps back (Hays, 2023). According to Ball, in a technological transformation, all the innovations around the new technology need to come together which leads to a larger change in people's behaviour (Ball, 2022, p. 27). Zitron argues that Zuckerberg was lacking the premises of a successful business model such as a clear vision, and definition for metaverse, a target audience, and the willingness of customers to adopt the product (Zitron, 2023). However, Ball argues that the process of launching something new is slow and challenging (Ball, 2022). Therefore even though Meta will perhaps be part of building the metaverse in the future, comprehensive collaboration is needed.

Many argue that even though the private sector is willingly pursuing the metaverse and its ownership, it will require governments and non-corporate input as well to be successful (e.g. Hudson, 2022, p. 25; Kacprzak et al., 2022, p. 8). According to Hudson, in the end it is possible that everyone can benefit from it (Hudson, 2022, p. 28). Hence, the development of the metaverse could benefit from large-scale collaboration with many stakeholders involved instead of competing over its ownership.

In addition to the different views about defining the metaverse, there are contrasting thoughts on the timeline when the metaverse will arrive for mainstream use. Heads of major companies who presumably are playing a central role in developing the metaverse, differ from their views as well. For instance Mark Zuckerberg forecasted in 2021 that the metaverse will become mainstream between five to ten years (Meta, 2021). However, many leaders, such as Epic's Tim Sweeney, Google's Sundar Pichai, and Nvidia's Jensen Huang, do not give a more precise timeline, but instead talk simply about the future, or next decade as a timeline (Ball, 2022). According to Hudson, in a few years the metaverse will be adapted in new ways we can only imagine today (Hudson, 2022, p. 24). Kacprzak et al. argues that five years ago the users of the metaverse was a limited group of technological enthusiasts ("geeks"), but in five years time the metaverse will be in mainstream use (Kacprzak et al., 2022, p. 8).

Ball agrees that something is happening regarding the metaverse arising, but it won't suddenly arrive nor there will be a clear moment one can point out when it does (Ball, 2022, pp. 244–245). He further argues that in addition to ongoing required underlying technological development to support the metaverse era, there are signs of other pieces coming together that support the movement towards the metaverse becoming mainstream in the future (2022). Already happening is cross-platform gaming, and cultural changes towards virtual worlds and virtual objects (2022, pp. 245–147). Moreover, according to Ball the generational change will support this transformation (2022, p. 249).

Overall, it is largely agreed that the metaverse will be adapted as a mainstream platform in the future, but the arrival timeline is yet unclear. Furthermore, there are

many challenges and questions yet to address before the metaverse is ready for broader use. However, it is beneficial for music industries to pay attention, and be involved with the development of this phenomenon.

#### **2.2.4. Music Industries and Metaverse**

To discover further understanding on how metaverse could position in the music industries, it is justified to review how music industries have approached the metaverse so far, and what metaverse projects have been executed already in the last few years. The music industries like many others joined the metaverse trials. Music industries seem to be strongly moving towards the Web3 era where the metaverse is in a central position.

In this chapter I will briefly review how music industries have approached the metaverse, and what projects we have seen in the last few years taking music in the metaverse. I will also briefly review how the major music labels, and artists are positioning to this incoming Web3 era based on current situation and knowledge. Finally, I will introduce a critical view to the metaverse and challenges still ahead.

##### **2.2.4.1. Music in Metaverse**

In recent years we have seen more collaboration with gaming platforms and the music industries. In addition, we have experienced many blockchain technology based music projects and trials in the music scene.

Metaverse performances have gathered large audiences on different gaming platforms. Marshmello, American electronic music producer and DJ, performed the first ever metaverse based mainstream attendance concert in 2019 on Epic Games' Fortnite game platform followed by Travis Scott in 2020 and Ariana Grande in 2021 (e.g., Herstad, 2023, p. 350; Babajide, 2021; Patel, 2022). According to Fortnite a concert hosted by Travis Scott attracted over 27 million players in 2020 (Fortnite, 2021) and still holds the record for the most popular metaverse concert so far (e.g., Patel, 2022; Ball, 2022, p. 12; Hudson, 2022, p.24). In addition, Fortnite's official event video has nearly 200 million views on YouTube (Ball, 2022, p. 12). Lil Nas X did another very

successful concert on Roblox platform in 2020 (Patel, 2022), and Justin Beiber partnered with Wave in 2021 with his metaverse performance to promote his new album (Huff, 2021). In addition, in Finland during the Covid-19 pandemic lockdowns we saw artists by PME Records Alma's and JVG's virtual performances which were inspired by Scott's and Marshmello's concerts (PME Records, 2020; Mankinen, 2020). The concerts on metaverse have shown that virtual performances allow much larger audience sizes than the live performances (Cohen, 2023, p. 50).

Metaverse opens new opportunities to be creative when it comes to performances. According to Herstad, some of the performances on metaverse in recent years have followed more traditional concert form placed in the virtual world whereas others have offered completely new experiences and been creative with the opportunities the virtual worlds offer (Herstad, 2023, p. 350). For metaverse performances artists can combine avatars, interactive gaming experiences, and video live-streams (BBC, 2021). Marshmello's performance was more traditional, but set in a virtual world (Cohen, 2023, p. 57). Whereas both Travis Scott's and Ariana Grande's performances were experiences where the artist's avatars were leading the gamers around the virtual world (e.g., Cohen, 2023, p. 57; Herstad, 2023, p. 350). Scott's virtual world was set up to be underwater and space environments (Cohen, 2023). In Ariana Grande's virtual world the artist was flying, and it offered opportunities to slide down rainbows, and collect butterflies (Cohen, 2023). In addition, Grande's performance was interactive and included tasks, such as collecting digital objects which enabled the gamers to open up surprises by the artist, for instance to hear new music and add collectibles to their accounts (2023). The new ways of being creative extends to virtual merchandise and collectables, and artist brands as well.

The metaverse additionally offers a platform to be connected with fans globally. Sir Elton John recently announced that after his last tour in 2023, the next step in his career will be at metaverse (e.g., Roblox, 2022; Benitez-Eves, 2022; Cimermanaite, 2022). He has partnered with the gaming platform Roblox and introduced a virtual performance and an introduction to an immersive experience called Elton John Presents: Beyond the Yellow Brick Road (2022). He will be combining his passions for music and fashion, and "enjoy the limitless creativity" the metaverse can offer (Cimermanaite, 2022). For an artist who is retiring from touring the metaverse enables



staying connected with fans. The same applies for artists who are not currently touring.

In the past years we have seen several metaverse based events and festivals, such as The Metaverse Festival on Decentraland virtual platform, The Meta Festival on Metapolis platform, and Block by Blockfest on Minecraft (The Metaverse Festival, 2023; Meta Festival, 2023; Haasch, 2020). Block by Blockfest is a take on South by Southwest, and it featured over forty artists in 2020 (Herstad, 2023, p. 350). Decentraland is user-owned and managed 3-D platform, whereas the other performances and events took place mainly on game platforms owned by corporations (2023, p. 350). The Metaverse Festival on Decentraland in 2022 hosted over 200 artists which was about double the size then the first edition in 2021 (Decentraland, 2023). The Metaverse Festival was admission free, and it included typical festival elements, such as different stages, VIP sections, and virtual merchandise shops for the avatars, and games (2023). Decentraland's own currency is called MANA, and the users can purchase e.g. land with them at Decentraland, or collect unique accessories for their avatars (Cohen, 2023). Even though the metaverse based festival is a relatively new concept the commercial impact is growing and expanding to partnerships between virtual venues and music promoters (Cohen, 2023, p. 58).

In addition there are virtual artists that have gained massive success such as a robot rapper and influencer FN Meka created by Brandon Le and Anthony Martini at Factory New (Corry, 2022). FN Meka has more than 10 million TikTok followers (Kacprzak et al., 2022, p. 28).

These are only a few examples of music industries metaverse related productions and there are certainly more to come.

#### **2.2.4.2. Major Labels and Metaverse**

The music industry majors labels are seeing the new arriving technological era potential and filled with opportunities. In recent years we have experienced many blockchain technology based music projects and trials from the labels. The major music labels such as Universal Music, Sony Music and Warner Music Group are

developing their metaverse strategies and expanding their teams with metaverse and Web3 experts (Stassen, 2022).

Universal Music launched a Web3 label “10:22PM” in 2018 (Stassen, 2022). The label formed a metaverse band “Kingship” from popular NFT character, Bored Apes in 2022 (e.g., 10:22, 2023; Kacprzak et al., 2022, p. 6; Hudson, 2022, p. 50). In addition, they launched a virtual world for Kingship with exclusive content and products in 2022 (Stassen, 2022). In addition, Universal was behind the metaverse concerts of Marshmello, Ariana Grande and most recently Justin Bieber (Patel, 2022).

Sony Music Group partnered with Roblox in 2021 after successful previous collaborations with Lil Nas X concert on Roblox platform in 2020 (Roblox, 2021). Moreover, Sony orchestrated the very successful metaverse concert of Travis Scott in Epic Games Fortnite as well as a concert of 24kGoldn together with Roblox (Patel, 2022). Furthermore, Sony Music acquired a minority stake in Epic Games and is therefore investing strongly on platforms currently in the lead of hosting virtual concerts (Gilbert, 2021).

Warner Music Group in turn has been largely active in developing their Web3 strategy in 2022. Their approach to metaverse is a music-themed world, WMG LAND, featuring a musical theme park and concerts from their roster. WMG LAND, a partnership with Sandbox gaming metaverse, was launched in early 2022 followed by partnerships with blockchain gaming developer Splinterlands and NFT platform Blockparty (Stassen, 2022). Moreover, they are investing in virtual artists with their collaboration with Authentic Artists (Stassen, 2022). Warner Music Group is also collaborating with Roblox as well with virtual concerts of 21 Pilots, Charli XCX, and Lizzo (Patel, 2022).

The major labels see the benefit and major opportunities in Web3 and the metaverse although they're in their infancy. Hence, they are investing in developing their related strategies and as a result leading the transformation to a metaverse era when it comes to the music industries. According to Cohen, these collaborations and investment on gaming platforms suggests that the labels aim to gain significant profits by opening their catalogues to such platforms (Cohen, 2023, p. 61). Currently, it appears that

metaverse will benefit the major labels who are positioning strongly on metaverse partly due to their ability to invest in it from early on.

#### **2.2.4.3. Artist Position in Web 3 Era**

According to Samuel Arvidsson, a head of Stockholm-based metaverse developer company The Gang, all artists can already benefit from the metaverse regardless of if they are signed by a major label (Arvidsson, 2022). According to Arvidsson, the metaverse offers artists new opportunities to be creative and collaborate with others in a completely new way (2022). Cohen agrees that the metaverse will offer enormous opportunities for music industries and artists especially when it comes to how it enables expressing and consuming artistic creativity (Cohen, 2023, p. 47).

The metaverse is additionally seen as a potential to earn completely new revenue for artists. It offers the ability to discover unique experiences and earn revenue in new forms, for example with virtual merchandise, “verch” (Arvidsson, 2022; Cohen, 2023). According to Herstad, the estimation is that both Travis Scott and Ariana Grande earned about twenty million dollars from the prerecorded metaverse performances (Herstad, 2023, p. 350). In addition, Scott’s performance led to the track premiering during the concert, placed number one on the Billboard Hot 100 charts (Ball, 2022, p. 12). Therefore the metaverse performances have already affected the income streams of some artists.

Metaverse is an opportunity to create closer relationships with fans, reach new audiences, and even work together with the fans (Arvidsson, 2022). Cohen sees advantages in the metaverse from an artist perspective in being able to reach globally much bigger audiences and therefore grow the traditional revenue streams (2023, p. 47).

NFTs could play an important role in generating income for artists in the Web3 era and on metaverse. There has been significant business happening with NFTs in the past few years, and many major sales in music industries as well have taken place (Herstad, 2023, p. 365; Cohen, 2023, p. 59). According to Herstad, nearly eighty million dollars was made in music related NFT sales in just over a year's time in

2020-2021 (Herstad, 2023). These include for instance the album by Kings of Leon funded with NFT sales (Hissong, 2021). Cohen anticipates enormous profit potential in the Web3 era, NFTs, and music industries (Cohen, 2023). Cohen sees potential in NFTs revenue for artists to sell for instance virtual merchandise, tickets to exclusive virtual performances, and music (2023). With NFT sales artists will get paid royalties from each sale, and they can decide themselves about their commission of NFT (Herstad, 2023, p. 366; Cohen, 2023, p. 59). Therefore artists would gain more power in determining their revenue in NFT sales.

Arvidsson sees potential in the metaverse to discover new ways of operating in the music industries, and simplify the current complicated negotiation processes with large numbers of stakeholders involved (Arvidsson, 2022). He also sees an opportunity in metaverse to bring the working relationships of artists, labels and publishers closer (2022). In addition to major labels, the streaming platforms are also taking steps towards the metaverse, and Spotify as a pioneer has collaborated with Roblox introducing a Spotify Island on the gaming platform (Perez, 2022).

Nonetheless, Arvidsson sees the role of the record labels central in the development of the metaverse in the music industries, but he emphasizes that in the metaverse future artists will have more empowerment inside the music industries and more direct relationship with their fans (Arvidsson, 2022). Cohen sees that the power structures in the music industries might change for the benefit of creators and songwriters in the new digital ecosystem (Cohen, 2023, p. 50). However, Cohen raises a concern of artists and songwriters' position not improving in the Web3 era, because of the labels and streaming services investing on gaming platforms already strongly (Cohen, 2023, pp. 61–62).

### **2.2.5. Critical View to Metaverse**

The concept of metaverse is problematic in many ways. Zitron argues that all this “hype” around vaguely defined metaverse is based on unclear promises by Zuckerberg, and there is no demand, let alone technical capacity for it (Zitron, 2023).

Even if the development of metaverse will carry on, one major metaverse that will connect everyone in the world does not come without a number of problems and challenges that would be important to address before the launch.

According to Hudson and Ball, the servers that we know today couldn't handle the traffic of connecting masses of people to the same virtual universe at the same time (Hudson, 2022, p 19; Ball, 2022, p. 57). Hence for time being the metaverses will remain fragmented to different metaverse spaces (Hudson, 2022; Satpalson, 2022). However, Hudson further argues that the technology develops continually and a required server possibly could be established in the future, but it will additionally require considerable collaboration from different stakeholders to bring these metaverses together.

According to Ball, the number of the current problems we have in our digital existence today, are yet to be solved when it comes to the metaverse, and the leaders of developing the metaverse are in a key position (Ball, 2022, p. 17.) Problems such as data security and data rights, law and jurisdiction, and misinformation and radicalization are only a start of the list (e.g. Ball, 2022, p. 17; Freeman, 2022, pp. 100–102; Satpalson, 2022, p. 172–174). In addition, there are the questions of governance; reputation and identity; and property and ownership (2022). Furthermore, there are the challenges in time and space in the metaverse, and challenges in payment systems and currency (Freeman, 2022, pp. 101–106; Satpalson, 2022, pp. 172–176).

When it comes to the music industries Cohen points out the issue of songwriters' limited copyright revenue in the current streaming platforms such as Spotify (Cohen, 2023). Cohen emphasises that payment imbalance cannot be overlooked when moving towards the Web3 era and music will be streamed more on metaverse (2023). According to Cohen, legislation is lagging behind when it comes to copyright infringement, and technology companies continue to ignore the existing legal standards (Cohen, 2023, p. 50). Web3 and metaverse will take streaming to another level, and even though it will open a large number of new opportunities, there are many issues regarding legislation, regulations and administration needed to be solved (2023).

Ball argues that the unsolved questions regarding the metaverse are in the hands of the companies leading the metaverse development (Ball, 2022, p. 17). Therefore, the issues we have today and how they will manifest in the future in the metaverse could depend on the priorities of the builders of the metaverse (2022). Hence it is important that stakeholders in addition to the leading companies such as individuals, users and other non-corporate sectors pay attention and try to affect the process now (Ball, 2022, p. 17; Hudson, 2022, p. 25).

According to Zitron, the trending and hype around metaverse has decreased in 2023, and focus has moved more on to generative AI (Zitron, 2023). Many companies, including Zuckerberg's Meta, have downsized or shut down their metaverse operations (2023). Was this leap towards building and investing too mature (?), or will the development take another direction is yet to be seen.

### **3. RESEARCH METHODS**

#### **3.1. Research Approach to the Study**

This thesis is qualitative single-case study research of Music Finland's metaverse-project implemented in 2022 and 2023. The research examines metaverse as a phenomenon in the context of music business. Music Finland's metaverse-project serves as an empirical case for this research. I'm examining what kind of position could the metaverse have in the music business in the context of business models, and how could artists benefit from it? Empirical material for my research was collected from this project.

The data was collected at the end of 2022. The theory part of this study about music industries, digitalisation and metaverse was conducted simultaneously with the data collection in 2022 and taken further in the spring of 2023. The primary data material of this research consists of four interviews.

In this chapter I will go through the methodology process of this research and explain my choices to the process. I will introduce the case selection, background to it, and the

data collections methods. Finally I will critically reflect and analyse the different parts of the process.

### **3.2. Case Study and Case Selection**

This thesis is a single-case study of Music Finland's metaverse-project.

According to Yin, case study research is suitable and preferred when the research is studying contemporary events without manipulation of relevant behaviours (Yin, 2009). The aim of this case study research was to examine what future expectations the participants who participate in this project hope to achieve from the metaverse in the context of the music business, and its associated business models, whilst in its infancy.

According to Lee and Saunders there are two ways of approaching qualitative case study research. One is more controlled around the research question, and has strictly defined boundaries. The other option is more flexible in terms of boundaries and more accessible towards new emerging trends in research progress. (Lee & Saunders, 2017, p. 2.) This research followed the latter more interactive approach. During the process the research questions were revalued, and some changes were made in the anticipated theoretical framework. For instance, according to the research plan music export was intended to be one of the principal thematic frameworks of this study. However, during the process, and after the data analysis I decided to increase the emphasis on other parts of the thematic framework. However, the principle research question stayed the same during the process, but the focuses and emphasises changed as a result of this approach to the research and as a result of the findings.

The case selection started with my interest in Music Finland's operations, and further developed to interest towards this particular metaverse related project. I was searching for a topical phenomenon in the context of music business to focus on in my master's thesis. I had several meetings with Music Finland's research manager, Merja Hottinen, where she introduced me to their current projects. The metaverse project is part of a more comprehensive music industry growth strategy project, and there were other topics relating to these topical projects that I considered. However, I decided to do a

single-case study of this particular metaverse related case in order to gather more specific knowledge of this novel topic for this master's thesis.

Metaverse as a concept was not overly familiar to me when I started this process, and that is one of the reasons why it was so appealing to me. Moreover, how can the music industries and artists benefit from this rising technology? The topic is largely future oriented which makes it challenging to examine, but at the same time highly appealing. Case study as a research method is often used to discover knowledge of a phenomenon (Yin, 2009). Metaverse is highly topical and trending largely, but it is still in its infancy state. Hence, doing a case study research of this particular project opened an opportunity to study the concept of metaverse in context of music business in the frameworks of this project.

### **3.3. Data Collection**

The data was collected with four semi-structured interviews of participants of the project. Two of the interviewees are from Music Finland, and two are artists representatives who participated in the project through open call. In addition, data was collected by participant observation that was done by the researcher at the Metaverse Festival during four days in November 2022.

#### **3.3.1. Interviews**

The principal data of this research was conducted by interviews. According to Atkinson et al., interviews as a data collecting method provides deep and detailed data directly from the participants of the surroundings of the subject of research beyond different fields of studies (Atkins et al., 2007, p. 369). Hence, interviews as research methods were an obvious choice in this case study thesis.

From Music Finland the interviewees were the innovation manager of Music Finland, Turo Pekari, and the communications manager of Music Finland, Teemu Fiilin. Pekari is the project manager of Music Finland's metaverse-project whereas Teemu Fiilin has been involved with the project's concept creation process, and has been participating in the Motel Finlandia-platform promotion operations. Moreover, two artists'



representatives were interviewed, Teemu Laitinen from PME Records and Laura Salokoski from Saura Booking Agency. Laitinen represents a non-major record label, and Salokoski is a live music booking agent. I got the recommendations of whom to interview from Music Finland regarding the project. From these interviews I managed to gather data from different perspectives towards the research.

Most of the interviews were conducted in live settings. The interview with Teemu Fiilin took place at Music Finland's office. The interviews of the artist's representatives took place at their respective offices at PME Records' office and Saura Booking Agency's office. The interview with Turo Pekari was conducted remotely on Zoom.

All of the interviews followed a semi-structured approach. According to Gubrium et al., semi-structured interviews are often used in qualitative research. The interview builds on a branch of questions the interviewee can respond freely and additional questions can be asked based on the interviewees comments (Gubrium et al., 2012, p. 196.) I followed a semi-structured approach having a set of questions for all of the interviews, but additional questions were also asked arising from the interviewees' responses. The semi-structured approach offered me an opportunity to conduct the topic, but also allowed me to explore additional knowledge regarding the research.

The interview themes stayed the same in all of the interviews, but more specific questions were asked based on the interviewees' role in the project and in the music industries. In addition, as the project was ongoing when the data was gathered, the schedule and order of the interviews was planned in a way that I had the required data for each interview, and some time to reflect my findings between the interviews.

The interviews were conducted in Finnish, recorded with the permission of the interviewees and transcribed. The translated quotations in English on this thesis are translated by the researcher.

### **3.3.2. Participant Observation**

In addition to interviews, data was collected by participant observation at the Metaverse Festival on Decentraland platform for metaverse during the weekend it was held in November 2022. In addition, I visited the Motel Finlandia platform frequently to achieve an understanding of it, and to see the changing content (performances) there.

I attended the Metaverse Festival for several days and spent several hours there daily. According to Atkinson et al., participant observation is executed in natural settings for a longer time period to experience and examine the social processes in that specific setting. Participant observation method also includes writing fieldnotes usually privately afterwards. (Atkins et al., 2007, p. 352.) During the four days of the festival I attended the festival, spent time there observing, and made fieldnotes.

The experience of doing participant observation on a space of metaverse is somewhat different than doing it in a live setting. I didn't have conversations with anyone, even though I was connected with other festival attendees and active at the festival. Moreover, I could follow the conversations of others on chats, but didn't take part in them. Furthermore, I participated in the festival from my own home using my laptop. However, the process was interactive and self-reflective in a way that I was monitoring my emotions and feelings while acting as a festival guest among others.

Participatory observation method was useful in terms of this research in three ways. Firstly, this experience provided me insights on the topic of metaverse in practice and supported my understanding of the concept of metaverse space. Secondly, this experience offered me an authentic experience of visiting a metaverse based festival including creating my avatar, navigating at the venue, attending concerts at different stages, observing other festival attendees at the venue, and following the fellow participants' conversations on the chat provided by the platform about the festival. Thirdly, I discovered later during the process of this research that there was a connection with my experience written on fieldnotes with the findings from interviews, which I will introduce in the coming chapter.

I made fieldnotes after every session at the festival and sometimes during the event. Atkinson et al. emphasises fieldnotes being the central method of participant

observation including different on-site produced writings of experiences and observations of events. (Atkins et al., 2007, pp. 352–365.) Nippert-Eng argues that fieldnotes can include drawings, photos, and other ways of documenting your observations (Nippert-Eng, 2015, pp. 66–68). I wrote for instance about the experience, events, gigs, other participants, conversations on the chat, details at the festival venue, and the functions of the metaverse platform. In addition to notes, I also took photos. Moreover, the fieldnotes include self-reflection about my own feelings on the experience and events that took place during the participatory observation. In the coming chapter of findings I will talk more about the content of my fieldnotes.

### **3.4. Data Analysis**

The interview data was approached with content analysis. According to Gubrium et al., semi-structured interview data should be analysed simultaneously by using content analysis (Gubrium et al., 2012, p. 197). The interview questions were categorised and coded. First, I used a mind map to assist managing the volume of data, and formed categories based on the data. Then the data analysis was approached by dividing all the data from the interviews to different formed categories using Microsoft Excel. I used different colours in coding the data on Microsoft Excel sheet, to support me to spot the similarities, and connections in the interview answers. The categories and data were reflected with the theoretical framework. Patterns were identified from the data and the coded categorised data helped me to find connections between the material.

The data, i.e. the fieldnotes from the participatory observation were read carefully, simultaneously making notes and reflecting the notes on the photos I took. According to Nippert-Eng, your data from the participatory observation consist of your observations about what happened, where and when, leaving out feelings, interpretations, and other additional material from your fieldnotes (Nippert-Eng, 2015, pp. 68–69). My final notes included more clearly the data from the participatory observation: what happened, where did it happen, and when did it happen? Finally I reflected the data to the theoretical framework, and the data from the interviews. Connections were found and coded in order to support combining all the data together.

### **3.5. Critical Reflections on the Process**

By doing the observation at the Metaverse Festival I acknowledge that my experiences may have been limited. I used my laptop without any additional VR goggles or other equivalent devices to enter and navigate the festival. However, VR goggles are not yet that common household item. Based on that it is safe to assume that there were many others who didn't use additional devices at the festival. Hence, my experience was perhaps authentic and valuable in terms of the aim of this research.

This project was a new opening in the field and therefore there weren't other similar cases to benchmark with. This is an empirical case study of one pilot case and therefore the principal data of this research is based on four people's subjective views, previous knowledge, and experience as participants of the metaverse project about the metaverse in relation to their associated role. However, the aim of this empirical research is to study the phenomenon of metaverse in the context of music industries, and to discover what are the participants' future expectations for metaverse in the context of business models in the music industries. Hence, the data is sufficient.

Two of the interviewees are from Music Finland who are the creators and in charge of the project. Therefore their views of the metaverse and the successfulness of this project could be biased. However, the interviews of the artists' representatives gave different approaches to the topic. There was one more artist's representative involved in this project who I was hoping to interview, but unfortunately didn't get a chance. However, the data is sufficient in terms of the aim of this thesis.

Overall, the metaverse in music industries requires much more research. Firstly, the metaverse is in its infancy and new information as well as development regarding the metaverse appears rapidly. Metaverse is trending largely and during this research process new articles, books, and other material about the metaverse were released constantly. I tried to follow the newest releases throughout the process, but in order to complete my study on schedule, I had to overlook some. This topic will require constant research about the new developments and how music industries can adapt to the new technologies.

## 4. CASE DESCRIPTION - MOTEL FINLANDIA

### 4.1. Music Finland

Music Finland ry is a Finnish music export organisation promoting the vitality and internationalisation of Finnish music. They were formed to support Finnish music export by assisting the Finnish music industries in their pursuit for internationalisation. Music Finland offers services such as networks, consultation, capacity building, funding, and different programs to music industry professionals and companies aiming towards international markets. Their goal is to ensure Finnish music continues to internationalise and grow by assuring Finland continues to have a vibrant music ecosystem that will collaborate across markets and platforms. (Music Finland, 2023.)

*"In Music Finland's vision, Finnish music is in the centre of the international market, and renowned for a variety of success stories." (Music Finland, 2023.)*

The services Music Finland provides to the Finnish music industry are comprehensive. Ever since the predecessors Music Export Finland (Musex) and Finnish Music Information Center (FIMIC) merged to form Music Finland in 2012, Music Finland has worked towards music growth and internationalisation by supporting artists and entrepreneurs who aim for international markets (Music Finland, 2023). Music Finland offers services to their customers by creating business models with a more effective and planned approach towards music export (2023). Moreover, Music Finland creates cross-industry connections with growth companies, and influences decision-makers in Finland. Music Finland's core mission is to assist their customers to find new partnerships, to showcase their music across the world to potential buyers, and to grow their audiences on international markets (2023). In addition, Music Finland implements many projects annually both in Finland and around the world (2023). Overall, the services are important for many Finnish artists and entrepreneurs who aim for an international career.

Music Finland also operates as a communicator of Finnish music to international media on versatile means and platforms, and they collect and produce research music industry data. (Music Finland, 2023.)

#### **4.2. Background to the Case**

The Covid-19 pandemic together with the unstable situation in Europe has affected the music industries unlike anything else. In the spring 2022 Music Finland commissioned research to map out the current situation of the music industries. The extensive research was executed by Jani Jalonen from Grand Music Consulting Oy to update the current pulse at the music sector in Finland, to recognise central themes to help to identify what kind of measures we need to improve the conditions for growth (Jalonen, 2022).

In the music industries the growth is happening at the digital music markets, and is believed to continue in the next few years (Music Finland, 2022). However, the live music sector suffered the largest negative impacts during the pandemic lockdowns internationally and the recovery has only started (2022). According to Jalonen, the growth in the live music sector is not possible in a few years (Jalonen, 2022, p. 4). In addition, the current situation shows that polarisation is accelerating in the industry and opportunities for growth are not evenly distributed (2022, p. 4). Thus, the results showed that the growth situation is contradictory in many ways.

According to the results, there are opportunities for growth, but they increasingly require the experimentation and adoption of new operating models (Jalonen, 2022). In particular, the conditions for growth would require common goals and increased cooperation both within the music industries, but also cross-industries (2022). New technologies, and data-driven developments in the music industries are seen as an important part of growth, but some change in the mindset in the industry would still be needed (2022). Moreover, internationalisation is one of the key growth opportunities for the Finnish music industries (2022).

Finland has a strong gaming industry and technical competence. Another topic that arose from the research by Jalonen is the topic of metaverse, and how the music

industries could benefit from more collaboration with the gaming sector in utilising their experience (Jalonen, 2022). The characteristics of strong communities in the gaming world, as well as user acquisition and engagement are mentioned to be something the Finnish music industries could learn from (2022). The report suggests that the experiments related to metaverse are topical, and the music industries should be involved with creating the value chains in metaverse in early stages of its development. (2022, p. 38.) Therefore Music Finland's Metaverse project is based on the measure of creating growth through experimentation.

Due to the need for a recovery of the music industries, Music Finland has implemented a European Union Recovery and Resilience Facility (RRF) funded Music Industry Growth Strategy project during 2022 and 2023, containing several openings, and individual projects to support the industries growth after the difficult years due the pandemic (Jalonen, 2022, pp. 4–5).

The aim of these projects are to create better conditions to promote the growth opportunities of the music industries by recognising different shared opportunities (Jalonen, 2022). Moreover, the aim is to increase platforms for conversations, planning, and implementation supporting the themes raised in a research by Jalonen (2022). Thus the main goal of the extensive Music Industry Growth Strategy project is to offer new openings and projects that will support growth in the music sector by encouraging music industries to collaborate, commit to shared growth opportunities, and measures enabling recovery for the entire sector (2022).

Based on the research report by Jalonen, the trends in the music industries suggest that the music industries are integrating with other industries strongly including the gaming industry. The connection between the music industries and AV productions are recognised. New sustainable cooperation models are in process for the music industries to work more closely with the technology, game, and finance industry in the future. However, music licensing is still a challenge in terms of growth, and there is a requirement for new more flexible and straightforward models. (Jalonen, 2022.)

One of these openings with the aim of supporting music industries growth is the metaverse-project which acts as an empirical case for this research. The metaverse

pilot project by Music Finland was formed based on the current situation and trends in the music industries in Finland, in particular on the requirement for experimentation and adoption of new operating models.

### **4.3 Music Finland's Metaverse Project**

Music Finland's Metaverse-project contains a virtual music promotion space called Motel Finlandia and collaboration with Decentraland Metaverse Festival 2022. Music Finland executed Motel Finlandia metaverse showcase during 2022 with virtual reality and metaverse music contents for a selected group of Finnish artists. Motel Finlandia virtual space was promoted at international professional events, such as Womex in Lisbon, Bime Pro in Bilbao, and Iceland Airwaves in Reykjavik, during 2022 and in the spring of 2023. In addition, two selected Finnish artists, Maija Kauhanen and Handshaking, performed at the second edition of the Metaverse Festival on Decentraland platform for metaverse in November 2022. Open call for artists for the project took place in the summer 2022, and content production and filming with artists in September 2022.

The project idea was born at the end of 2021, and execution started in 2022. The Motel Finlandia showcase beta-version with virtual reality and metaverse music contents for a selected group of Finnish artists was launched in the spring of 2022 at South by Southwest (SXSW) conference and festival in Austin, Texas. During that same year new content was produced and added to the platform. The platform was promoted throughout 2022 and in the spring of 2023. Originally the project was meant to come to an end in the end of 2022, but the project schedule was extended until June 2023.

#### **4.3.1. Participants of the Project**

The leader of the project is Innovation Manager of Music Finland, Turo Pekari. The idea of the project was born at the instigation of the former head of Music Finland, Kaisa Rönkkö. Participants interviewed in this research were Turo Pekari, and the Communications Manager of Music Finland, Teemu Fiilin, who has been involved in the project from the beginning. However, as the metaverse project is part of the wider



Music Industry Growth Strategy, there have been other people from Music Finland also somewhat involved in the metaverse-project, such as the Research Manager, and Music Export Manager.

The artists that were selected in this project were represented by PME Records, Saura Booking Agency, Robin Entertainment, and Ruusunen Consulting. The artists selected via open call were Robin Packalen, Mr. Hevisaurus, Handshaking, and Maija Kauhanen. The artists' representatives interviewed in this project are Teemu Laitinen, the CEO of PME Records, and representative of artist Handshaking, and a producer/booking agent Laura Salovaara from Saura Booking Agency. Salovaara represents artist Maija Kauhanen.

The virtual space of Motel Finlandia Music Finland implemented together with Arilyn, a Finnish company that is specialised in creating VR- and AR- experiences. In addition, the content for the festival was produced together with Arilyn.

Decentraland is a user-owned and managed virtual platform overseen by the nonprofit Decentraland Foundation. Music Finland collaborated with Decentraland as part of this metaverse-project taking two artists to perform at the Metaverse Festival in 2022. Decentraland has done other collaborations for instance with Kansallisgalleria, and Marimekko.

#### **4.3.2 Aim of the Project**

According to Pekari, Motel Finlandia is a pilot and an evaluation to examine how Music Finland can benefit and use new technology platforms in the future in their operations (2022). Moreover, the aim is to conduct a pilot in the metaverse, and to raise awareness of the opportunities that metaverse offers in the music industries in Finland (2022). The aim is to encourage the Finnish operators to consider future technology opportunities to evolve and proactively influence emerging trends (2022).

*We try to encourage our customers to look for new business opportunities and create incentives for experiments. (Pekari, 2022.)*

For the artists' representatives interviewed for this thesis, the reason why they applied to participate via open call, was mainly educational. Their shared aim was to learn more about the concept and functions of metaverse. In addition, they were hoping to achieve international visibility for the artists they represent. (Laitinen, 2022; Salokoski, 2022.)

### **4.3.3. Motel Finlandia**

Motel Finlandia, a virtual music export promotion space, was launched in the spring of 2022 at South by Southwest (SXSW) event in the United States. The space was created by Finnish virtual content creator Arilyn together with Music Finland. For further use more content was added to the platform later in 2022. Open call for artists for the project took place in the summer 2022, and content production and filming with artists in September 2022. Motel Finlandia acts as Music Finland's own virtual promotion platform, and it has been promoted in international professional events throughout the 2022 and in the spring of 2023. (Music Finland, 2022.)

The platform presents an outlying roadside motel in the middle of woods. Inside the motel there are elements such as a sleeping Santa with a drink in his hand, Iittala's famous Aalto vase as an ashtray, a check in counter with a bored looking motel staff member, piano, and pictures of Finnish artists on walls. By clicking these pictures a presentation about the artist opens up. In addition, you will find one of the motel room doors open with an old TV displaying clips of Finnish music once you get closer. Moreover, there is a stage and the motel visitor can choose different performances that will appear on the stage. Artists that were presented at the Motel Finlandia stage are Maija Kauhanen, Robin Packalen, Mr. Hevisaurus, and Handshaking.

A spoken introduction once you enter Motel Finlandia virtual space goes:

*Story tells that there is a mysterious motel in the middle of the Finnish wilderness. No roads, no highways. Just a forgotten building far far away in an endless forest. No one knows who owns this motel, or how long it's been here. Still, here you are like all the others, once they arrive don't ever wanna leave. Welcome to Motel Finlandia. (Music Finland, Motel Finlandia, 2022.)*

According to Fiilin, when creating the platform they were aiming for a David Lynch and Aki Kaurismäki atmosphere (Fiilin, 2022). According to Pekari, the aim was to do something peculiar in order to attract attention to Finnish musicians (Pekari, 2022). Indeed, a board by the check in counter states “Finns are not what they seem”, which is an adaption of the famous line from David Lynch's and Mark Frost's Twin Peaks tv-show from the 1990's.

*Welcome to Motel Finlandia, where Finns are not what they seem. The virtual space Motel Finlandia lies in the forgotten backwoods, somewhere between the real world and the otherworldly. (Music Finland, Motel Finlandia, 2022.)*

#### **4.3.4. The Metaverse Festival**

In 2022 Music Finland collaborated with virtual world Decentraland by taking Finnish music to the metaverse. Decentraland is a decentralised autonomous organisation (DAO) and the world's largest platform user-owned and managed virtual space that is operating on a blockchain (Music Finland, 2022). Music Finland as an exports organisation is a pioneer in collaborating with DAO organisation (2022).

The collaboration included taking two Finnish artists to The Metaverse Festival hosted by Decentreland virtual space. The Festival was arranged for the second time and it took place on November 10th-13th 2022. This second edition of the Metaverse Festival was much larger in terms of the festival area and the number of performances than the year before. The admission free Metaverse Festival 2021 featured over 80 artists (e.g., Herstad, 2023; Cohen, 2023). In 2022 the festival was expanded to host more than 200 acts including artists such as Björk and Ozzy Osbourne and it took place on 15 different stages (Metaverse Festival, 2022). Music Finland selected two Finnish artists, Maija Kauhanen and Handshaking, to perform at the 2022 edition of the Metaverse Festival.

## **5. ANALYSIS AND DISCUSSION**

In this paragraph I will introduce and analyse the findings of this research. Furthermore, I will discuss the findings to relate them to the theoretical framework. This chapter is divided into four sub chapters with four main themes. These themes are the main topics that emerged from the analysis of the data.

## **5.1. Metaverse is Yet to be Defined**

### **5.1.1. Definition and Purpose**

As Ball and Hudson argue, the metaverse being in its infancy, it is still lacking a clear definition and purpose (Ball, 2022; Hudson, 2022). There is still a large amount of confusion around the metaverse (Ball, 2022). Confusion about the definition and purpose of the metaverse were the main factors that arose from the research data. Questions such as why metaverse, what is the actual goal, what is the content in the metaverse, and what is the added value of it for the music creators and artists arose from the interviews by artists representatives. These questions are yet to be further resolved even though there are preliminary opinions about this, and experiments made in the music industries. Moreover what will the metaverse look like and who the audience of the metaverse are still remains to be seen. Hence, metaverse is still finding its form and place, therefore still lacking a more broad definition and meaning.

It is yet unclear what kind of added value it might offer to the music industries and the copyright owners (Laitinen, 2022). However, metaverse has attracted attention globally, and many are optimistic about the business opportunities it might bring in the future (e.g., Ball, 2022; Hudson, 2022). Hence, most major corporations are investing in it despite its early development (2022; 2022). These include the major labels in the music industries (e.g., Cohen, 2023; Kacprzak et al., 2022). According to Laitinen, metaverse and its purpose is yet vague, but he is optimistic about the new technology and the business opportunities it may offer in the future (Laitinen, 2022).

*I myself think that perhaps the most fundamental question is what is the purpose of the metaverse?...The question that has yet to be answered is what is the goal of all this, is it an alternative reality where we want to escape to? Is it*

*a place to hang out? Is it possible to do something in relation to the real world there? What is the whole idea or purpose of metaverse? (Laitinen, 2022.)*

The lack of clear definition and purpose of metaverse, and the unclear added value of it can also perhaps be noticed in the Motel Finlandia platform.

*For now, I don't see much added value there as it is now [Motel Finlandia] .... But I think that Music Finland's principal goal is precisely to implement an experiment to find out what it [metaverse] is about, and what kind of things it is suitable for, and what opportunities this could offer. But at the moment I personally see that there should be more added value to it, so that people could do something there. For now I don't think it gives much added value, and in fact it's just like YouTube where you can watch videos of music performances. (Salovaara, 2022.)*

However, as Ball pointed out, emerging technologies often cause confusion as well as excitement (Ball, 2022). In order for metaverse to find its position and full potential, testing and collaboration is necessary (2022). Therefore, Motel Finlandia pilot perhaps lacking a clear definition at this point is apprehensible.

### **5.1.2. Why Metaverse?**

The data from the interviews shows that there is interest and curiosity towards using new technologies in the music industries, including the metaverse, and the opportunities they might offer. The artist's representatives responded to Music Finland's open call mainly from a learning perspective, also hoping to achieve some visibility for their selected artists internationally. Both Laitinen and Salovaara hoped to gain further knowledge about possible future sources such as metaverse to create income for artists through participating in Music Finland's metaverse project. Moreover, both agreed that they will curiously continue to follow the development and progress of the metaverse phenomenon in the future as well.

Development of technology has reshaped the music industries constantly (e.g., Harrison, 2021; Nordgård, 2018; Passman, 2019). The Covid-19 pandemic accelerated

the trend of metaverse (e.g., Morrow et al., 2022, p. 13; Satpalson, 2022, p. 92).

Pekari agrees that due the pandemic a large step towards the virtual world was taken in all areas of society and it has been one of the key accelerators of metaverse trending in recent years (Pekari, 2022). In music industries it was partly dictated by necessity because of the lockdowns, and it has underscored a need for new operating models for the future (2022.) Therefore, Covid-19 pandemic has escalated the trend of the metaverse.

Pekari argues that technological development is progressing towards the metaverse, and masses will move to operate on these platforms in the future (Pekari, 2022).

Pekari further argues that in ten years time we will see a large amount of VR and AR contents online (2022). This supports the popular estimations of the major companies currently leading the metaverse development (e.g., Ball, 2022; Hudson, 2022).

Nordgård points out that there are external pressures and dynamics that affect the music industries in addition to the internal factors (Nordgård, 2018, p. 20). Metaverse can offer opportunities for music industries, but there is perhaps also some external pressure involved.

According to Pekari it is important that the music industries will be involved with this development, preferably before the rules are agreed by external perspectives to music industries. Thus, Music Finland implemented the pilot given the opportunity to raise awareness in Finland, and evaluate the options as a business future model. (Pekari, 2022.)

*A relatively large number of people share the idea that in a few years there will be significant business in virtual reality, and different contents such as music will also play a big role in that. But the question is are the Finnish operators the ones who will possibly follow what is happening and then join in at some point? Or do we also have the opportunity to try things out at an earlier stage so that we are then perhaps more prepared? (Pekari, 2022.)*

Music industries has faced challenges in the past in digital transformation (e.g., Nordgård, 2018; Jalonen, 2022; Tshmuck, 2016). However, music industries have gained benefit from the digitalisation once adapted to the new opportunities (2018;

2022). Therefore testing the new technology, such as the metaverse, and preparing for it is sensible.

## **5.2. New Business Opportunities**

There have already been many openings in music industries in the metaverse such as extremely successful concerts by artists such as Ariana Grande, Justin Beiber, and Travis Scott (e.g., Herstad, 2023; Babajide, 2021). In addition, the major labels are collaborating and investing strongly on gaming platforms currently hosting the virtual concerts (Copans, 2021; Robertson, 2021; Stassen, 2022). The findings show that benefits from metaverse are at this point seen in artists' brand development and brand collaborations. In addition, metaverse festivals/events and VR performances are seen as a potential opportunity. Although, further development in concepts, and technology are still perhaps required.

*Firstly, Metaverse will offer more visibility. Secondly, through the metaverse we are going to reach new types of audiences. Thirdly, which is of course still due to many reasons in the development phase, the metaverse will generate money, and that is probably the most important thing of all. It's probably still a long way to go before we get there though. (Pekari, 2022.)*

### **5.2.1. Visuality and Brand Development**

Fiilin from Music Finland sees the visualisation in promotion highly important, and that metaverse opens up unlimited opportunities for that. Fiilin sees the added value of the metaverse in visual opportunities. He argues that visuality has become constantly more important in promotion of a brand and this new technology opens up tremendous opportunities. (Fiilin, 2022.) However, at the moment producing content to VR spaces is costly. Hence at the moment it is limited who is able to create content to VR platforms. (Fiilin, 2022.)

Brand collaboration and brand development opportunities are additionally seen as important in the context of metaverse. Pekari points out that there already is metaverse based brand collaboration happening (Pekari, 2022). Laitinen sees opportunities in

artists' brand development in metaverse (Laitinen, 2022). He believes that visual experience enabled by metaverse will bring additional value for artists' brands (2022).

*In the past, there could have been a music video alongside the music, and it has brought a visual experience to listening to that song. It strengthens the brand of the artist, and you can see who sings that song, and what kind of world it was taken in the videos. Now, in my opinion, we have gone from that a leap forward. Now you can be connected and hang out in the virtual world with an artist, or the artists can throw you a gig. (Laitinen, 2022.)*

Artists indeed are the brands of music industries (e.g., Wikström, 2020; Tschmuck, 2016), and they have become more instruments of promotion in digital times (Meier, 2016). Digitalisation has additionally brought fans and artists closer together, and social media has become an important channel for interacting (Wikström, 2020). Furthermore, according to Nordgård the new ways of operating in the music industries due the digitalisation, such as DIY culture, should perhaps be seen as an extension of the industries (Nordgård, 2018). Hence, metaverse could offer an additional platform for artists to generate income in brand collaborations, develop their brand, and deepen their fan relationships as well as reach for new audiences.

### **5.2.2. Concerts and Festivals on Metaverse**

Live music suffered the largest damage in music industries due the Covid-19 lockdowns (Jalonen, 2022). As Jalonen refers in his report, that the live sector has only started to recover from the losses, and the recovery will take some time (2022). Therefore the live music sector had to adjust and discover new ways of operating during the lockdowns. Live streaming trended for a while, and in addition we saw several successful superstar VR concerts on different gaming platforms (e.g., Herstad, 2023; Morrow et al., 2022; Satpalson, 2022). Additionally, events and metaverse based music festivals have taken place in previous years, such as the Metaverse Festival, which I'm going to talk more about in this chapter.

As Bowie pointed out twenty years ago unique situations will be all that matters in the future (Bowie, 2002). Back in those days he referred to touring and live music. Now



however there is again a demand for new operating models and environments on a side of live music events. Perhaps metaverse can offer means for that? According to Pekari, there are compelling reasons why the music industries has to seek for new operating models. He argues that reasons such as climate change will change for instance the touring economy and new models will be required. However, Pekari emphasises that VR platforms won't replace live music, but instead it will become an additional business model for the music industries (Pekari, 2022.)

Salovaara is however evaluating the opportunities from the live music sector's perspective, and she thinks that there are many changes and development needed for instance in technology still for the metaverse to become mainstream popular (Salovaara, 2022). She sees the biggest challenge in the live sector of the music industry being earning logic and its scarcity (2022). However, she struggles to see at this point how metaverse based performances could bring added value, or earning logic to the live music sector (2022). Therefore there is still development needed with the technology and concept to these operating models of VR performances.

However, there is significant business being made on VR platforms already, and virtual merchandise "verch" trade is one business model already existing (Cohen, 2023). However, according to Salovaara at the Metaverse Festival 2022 only the headliners were able to bring their own "verch" for sale (Salovaara, 2022). Furthermore, the smaller acts didn't get paid for their performances. Therefore, for now the metaverse seems to be a more profitable business for mainstream artists until new business models are created.

Salovaara was additionally pursuing visibility for the artist she represents. According to Salovaara, the organisation of the festival had an extremely restricted schedule and information packages arrived at the very last minute. Therefore, there wasn't much time to promote the event on artists channels to reach the fans and therefore many missed the performance. The organiser had expanded the second edition of the festival in terms of the area and the number of performances in 2022. This has possibly affected the challenges of organising the practicalities.

Metaverse as a concept and entering a metaverse space is still relatively or completely new to many people. I discovered through observation that in order to enter and see the performances, it required time to create your avatar, to get familiar with how to navigate at the metaverse space, and how to find the right stage at the large festival venue. If the person is not accustomed to VR spaces, this would have been a novel experience. According to Salovaara some fans of her represented artist missed the performance because of these challenges. Metaverse experiences are new to mainstream audiences, and possibly they will become more common and familiar to many in the future.

According to Ball, the generational change will support metaverse development (Ball, 2022). While observing at the festival, I noticed that there were many attendees who knew each other, and inferred by the conversations on chats, and their behaviour that they were familiar with the platform. Some of the attendees' avatars were equipped with accessories that you purchase for. While I used only the selection that was offered for free. Based on the observation data, the audience at the festival seem to be a mix of both, people such as myself, to whom the VR platform is a novel experience, and people who have spent time there before. The younger generation in general are more familiar with these kinds of platforms.

Based on the conversations on the chat and the “verch” they were wearing, there were people at the festival who were there to see some particular performance. Fiilin anticipated before the festival, that you could assume that the music could be at the festival more in the centre than the novelty of the metaverse. However, based on my observation data, if you were not familiar with the VR surroundings, it did steal at least some of the attention. But for the festival guests that were used to such platforms, the focus might have been more on the music.

*I think that it [the festival] could be good in the way that the people who go there kind of know what to expect... There, you would think that the music is more in the centre, while in a way the metaverse itself isn't. I imagined that it's not such an unknown and exciting concept for the people who go there... That is, the users can even focus on the music better. (Fiilin, 2022.)*

Furthermore, the gigs were video clips of live performances where artists appeared on the stage. The content for the Finnish artists was filmed in the summer of 2022. Even though the implementations looked visually excellent, there was no real-time interaction involved between fans and artists. Based on the observation data, this disappointed some of the festival attendees who came to see some particular performances.

Salovaara doesn't believe that this kind of metaverse based music festivals will be established; at least the way they are now. Salovaara emphasises that there is still the added value missing. She considered if it would bring more added value to this kind of experience if in the future they could develop being more interactive and functional for the audience (Salovaara, 2022.)

*I would think that events that are happening in the metaverse should be more functional in some way for the people who like to hang out in them... so just watching some gigs feels like not enough if the characters themselves don't do something...the people that wants to hang out in those virtual worlds, wants to play or do things themselves instead of just watching gigs. (Salovaara, 2022.)*

Even though there were some games and other interactive elements added to the experience at the Metaverse Festival, perhaps the performances were still lacking interactiveness. Perhaps something similar to Ariana Grande's avatar leading her fans around the virtual venue in her performance, and encouraging them to participate in different quests could bring more added value to the experience? Increasing and connecting the already existing games and other interactive elements to the music performances could be something to consider.

General technological development is needed in order for festivals and events to become more mainstream in the metaverse. According to Salovaara, she had some technical difficulties, as did I, while attending the festival. A day before the festival started I was at the venue exploring the area and everything worked well. However, when the festival was on and more people were at the venue the platform started to be burdened. I needed to leave the platform a few times and start again in order to make it work. Similar problem occurred with Salovaara when she was attending the festival.

We both attended the platform via our laptops and didn't use additional devices such as VR goggles. However, some other attendees, especially those using VR-platforms regularly might have had better capabilities for this. Nonetheless, this supports the arguments of Ball, Hudson and Freeman about technical development being required, and one extensive metaverse at the moment could not endure all the people globally (Ball, 2022; Hudson, 2022; Freeman, 2022).

There are many challenges to be solved when it comes to the future of metaverse based music festivals. Salovaara doesn't believe that this kind of metaverse based music festivals will establish at least the way they are now (Salovaara, 2022). Laitinen hasn't formed a clear opinion on the matter, but he sees value in them from an artist-fan interaction point of view. I will talk more about this in the coming chapter.

*Well, that was probably pretty much the question to the point, whether they [metaverse festivals] will remain as a viable part of the music industries or not.... Will they somehow continue and find their form alongside all of these existing models or will they stop happening? Is there a demand for them at some point?*

*...however, there are so many options, so it's probably only natural that now you have to test everything novel and that maybe you'll find a model, or some sort of combination of new and old that makes some sense and will stay. But the fans clearly want more and there is a demand for more content than just the music. (Laitinen, 2022.)*

### **5.3. The Main Challenges**

When it comes to the main challenges in the music industries, the data of this research shows that it is largely agreed that the income generation in the music industries is in the centre. In the context of the metaverse more specifically music licensing, and discovering a functional business model that will generate income towards the artists and copyright owner are the core challenges.

### 5.3.1. Finding Business Models

The findings show that income generation for artists is one of the main challenges in the music industries. According to Fiilin, this is particularly challenging with marginalised artists and it is challenging to establish a longer career in the music industries (Fiilin, 2022). In order for the metaverse to create added value to music industries, it is clear that finding a model to create revenue for artists is in the centre.

However, at least for now creating VR-content requires a large number of resources. Moreover the consumers willingness and commitment to pay for virtual contents is also a challenge. As Nordgård points out, digitalisation has changed consumers' attitude towards copyrights and willingness to pay for digital products (Nordgård, 2018). According to Fiilin, artists can not really benefit from the metaverse themselves independently, at least not yet, because producing the content is highly expensive and therefore not available for many (Fiilin, 2022). Fiilin adds that if the content could be monetized in some way, so that people would be ready to pay for them, that could help the situation (2022). Salovaara agrees with Fiilin that it requires willingness from consumers to pay for the content to generate added value and income for artists from events and festivals held in metaverse (Salovaara, 2022.) However, in order to do so, the content should develop massively (“be mind blowing”), and this would require a large amount of resources (2022).

*...the fact that for now making them [metaverse content] is so expensive that until making them happens in the same way as, for example, making a TikTok video or an Instagram story, it is not possible [for many artists]. However, this would surely change the situation and it would be possible for most artists to do them. (Fiilin, 2022.)*

However, as Ball argues, technological development is occurring constantly (Ball, 2022). Therefore creating VR content in the future could become more available for many. Music industries should continue to be involved with the development of metaverse to avoid the similar challenges that occurred when digital change to streaming took place. It took time for music industries to develop a satisfying model

that served both consumers and copyright owners during the digital transformation (Nordgård, 2018).

*...the Corona period has shown that streams or things like that are not the same as live music, it's two completely different things and that they don't have much business potential. People might take a look at them just out of curiosity, but then they don't want to pay anything. (Salovaara, 2022.)*

*It's still hard to see the logic of making money in it, where does the money come from? That the experience has to be so rewarding for the consumer or the public that they are really willing to pay for it and in order to do so. (Salovaara, 2022.)*

Nevertheless Pekari is optimistic about the development going in the direction that people are willing to pay for metaverse experiences such as festivals. However the purpose and form will still develop, and he doesn't think it will necessarily replace anything. (Pekari, 2022.) Pekari argues that the metaverse is in its infancy, and this sort of technological development will move forward quickly.

### **5.3.2. Policing the Metaverse**

According to Pekari, the main practical challenges yet to be solved when it comes to metaverse in the context of the music industries are legality and copyright issues. Pekari emphasises that similar to music being on different digital platforms now, there will be music content in the metaverse. Moreover he finds it interesting how virtual worlds will be acceptable for creating purposes, and how creations and music shared in virtual worlds will be policed. (Pekari, 2022.) Laitinen shares the concern about how to get the value chains to work for the benefit of the copyright owners (Laitinen, 2022).

*Of course, it will be interesting to see how such virtual worlds will be suitable in the future, for example, for making music and how it will be possible to create content there and share it. And how about the legalities? How will the current copyright restriction be suitable in the virtual world? These are still*

*big questions to think about and who can reasonably manage them there. So in my opinion, these topics are at least a few of the most interesting topics that are currently generally discussed in the music industries. (Pekari, 2022.)*

Legislation is a general challenge in metaverse development (e.g., Freeman, 2022; Satpalson, 2022). This is important in terms of music industries as well. However, according to Pekari, challenges are additionally being considered at the moment on European commission level.

*Legislation is one thing that you have to be aware of at that point when there will be different ways of using content and it seems that Web 3 and metaverse related discussion, at the European level, is also strongly on the table in the commission. Serious consideration is happening about how legislation like the current one is suitable for new operators, who possibly operate in a completely different way than traditional companies. (Pekari, 2022.)*

According to Pekari, the question is how the income is formed, and how will the artists benefit from it. He refers to the development of streaming and for instance development of Spotify. (Pekari, 2022.)

*The question is, how does income generation take place and how does it ultimately benefit the music makers and producers? That is the journey we are currently on, and it is quite clear that it usually takes some time. If we think about something like Spotify. Sometime in 2008-2009 when they started it wasn't practically any kind of business for anyone and it took quite a few years before it really started to generate money for the rights holders. And now we are in a situation where music streaming is practically the most important source of income, especially for the recording industry. (Pekari, 2022.)*

Overall, Pekari is optimistic about the opportunities of metaverse, but he emphasises that it will take time to find its operating form and position in the music industries, such as it has for other novel services in the past. (Pekari, 2022.)

### 5.3.3. Music Licensing

According to Jalonen, one of the main obstacles for music industries growth in Finland is the complexity of music licensing (Jalonen, 2022). Both Pekari and Laitinen agree with this, and they further argue that it is also relevant with new platforms such as metaverse (Pekari, 2022; Laitinen, 2022).

According to Laitinen, music licensing is too complicated a process as it is and he argues that we need more straightforward models for it. He sees that the music industries internally as well as other creative industries are so fragmented, that the process of getting permission to use certain music for instance on games is exhausted with too many stops. Moreover potential business opportunities, and cross-industry collaborations might be lost because of the complexity of it, and he suggests new models for music licensing. (Laitinen, 2022.)

*Maybe it [the complicity of getting a licence for music] describes the fragmentedness or complexity of all these fields, it is quite a labyrinth, but at least what I'm communicating is that we should try to simplify this. If we want music for the games, then we should try to make it as simple as possible in order for it to be successful. We should make some contract models or standard deals, so that it would be a little bit like ticking a box-system, or that we could find some closer collaboration or cooperation model with a game studio...*

*... Also when we start asking if they would like us to play this song in the background of a virtual bar, we could have a library for music where there would be pre-cleared music that you could get there somehow easily...  
(Laitinen, 2022.)*

Pekari also sees income generation as the biggest challenge and he highlights the challenges of music licensing which is also relevant with new platforms such as metaverse (Pekari, 2022).



*If you think about music licensing, which is perhaps one of the key things in generating income, there are a lot of challenges associated with it, especially with regard to new types of platforms. These negotiation processes, which ultimately leads to the fact that, for example, digital services start paying for music, often takes years before they are finished and then some money genuinely starts to come. Not to mention getting to the point where there is such data available that the money can be genuinely paid to the right people and not just some vague figure. (Pekari, 2022.)*

Pekari refers to the difficulties with negotiations with other digital platforms that has taken years, for instance, the most recent for Finland, TikTok, which Teosto and the Nordic copyright organisations finally got licensed last year in 2022 (Pekari, 2022).

*Those discussions were held for a really long time and we are now in a situation where TikTok is already one of the biggest social media services in the world and has been for a long time and only now is it slowly starting to generate some money for Finnish music creators.. (Pekari, 2022.)*

Pekari also points out that anticipation and looking into the future is required from the music industries because technological innovation raises and disappears quickly (Pekari, 2022).

*If you don't get involved in those income transfers early enough, then of course there is a risk that little by little it will be too late. That it is already gone and there is a new platform..(Pekari, 2022).*

According to Nordgård the music industries has faced internal difficulties of providing means for music licensing (Nordgård, 2018, p.16). Moreover Cohen points out that legislation is lagging behind in regulations especially in terms of copyright infringements (Cohen, 2023, p. 51). Thus, with metaverse the same challenges surface that are already existing in the music industries such complexity of music licensing, and legislation lagging behind the technological development.

The challenges are somewhat similar to that of digitalisation twenty years ago. As Jalonen pointed out, there was resistance in the music industries at the beginning, but once adapted, music industries have gained from digitalisation (Jalonen, 2022). Laitinen also emphasised mindset for change, and the importance of shared state of will to find new more functioning solutions and models (Laitinen, 2022). However, in the metaverse there is potential for completely new revenue for artists, and it is not necessarily replacing any existing business model (Laitinen, 2022). Therefore there is potential to discover a united state of will for new solutions.

#### **5.4. Artist Position and Fan Relationship**

Digitalisation moved the position of artist to a more central position permitting artists to build so-called DIY careers without record labels (Herstad, 2023; Wikström, 2020). Web3 era and decentralised blockchain technology has been anticipated to bring even more power towards artists direction (Cohen, 2023; Arvidsson, 2022).

According to Pekari, blockchain technology and decentralisation are related to metaverse, and the core idea with this kind of technology is that the users are in control of their own identity and data. This opens up the opportunity to do business directly with other operators, without any intermediaries. According to Pekari, this includes the artists, and opens up the possibility for a more direct artist-fan relationship. However, the major record labels are in the frontline of the development of the metaverse. (Pekari, 2022.)

*...artists have the opportunity to at least manage their own identity, their own data and, on the other hand, also do business directly with others, which does not necessarily require a third party. This kind of direct fan relationship has of course been talked about for years in the music industry, so there are probably new types of tools for that on platforms of that type...*

*...But then again, if you look now at what you can see on the different metaverse platforms, there are quite a lot of the major international record companies that have most visibly tried new things there. Because they have the*

*resources to do so, of course... Indie music and indie artists can also easily go and do things there, but at the same time, it feels that, once again, you can get a lot done there with big muscles... (Pekari, 2022.)*

According to Cohen, the record labels investing strongly on the gaming platforms already shows that their aim is to gain significant profits by opening their catalogues to such platforms (Cohen, 2023, p. 61). However Arvidsson sees the role of record labels important for music industries in building the metaverse, but believes that all artists will gain benefit in the end (Arvidsson, 2022). Therefore, it is yet to be seen how artists will position in the field in the Web3 era.

However, the metaverse is hoped to develop fan-artist relationships, and Pekari points out that audience development is happening at metaverse already (Pekari, 2022). Laitinen believes that metaverse technology could further develop the artist-fan relationship, and in addition it enables to reach new audiences all together globally (Laitinen, 2022).

*I'm pretty sure that the fandom has found new depths. Maybe in the last few years, the games suddenly have artists appearing or that they offer some other deeper content for hardcore fans or that you can meet them in other virtual worlds. So there is certainly a demand for something like this. (Laitinen, 2022.)*

Therefore Laitinen is optimistic about what this kind of new technology may offer in terms of artists-fan relationship. He believes that there will be additional value and a completely new market in future for artists in the metaverse. (Laitinen, 2022.)

## **5.5. Further Development and Feedback**

Music Finland's participants were content with the outcome of the pilot project. According to Pekari, the feedback of the metaverse-project has been mainly positive and Motel Finlandia platform has attracted interest and attention internationally (Pekari, 2022). However, there is also always scepticism involved when piloting something and when new technology is involved. Overall, the metaverse-project has

attracted valuable attention to Music Finland, and its customers. As a pilot project to evaluate how Music Finland can benefit and use new technology platforms in the future in their operations to serve their customers better it was successful (Pekari, 2022). According to Pekari, the next step is to develop the platform in a way that it will serve Music Finland's customers more effectively and more concretely, which is Music Finland's priority. (Pekari, 2022.)

There are few challenges Music Finland is facing with the development of the platform. One challenge is how to get the platform to serve Music Finland's customer base more broadly. Another challenge in maintaining their own virtual platform is the expenses of it. Both Pekari and Fiilin emphasise that without the EU funding, they wouldn't have been able to implement this project. Pekari anticipates that in the future more economical ways of using the platform are needed because it is not desirable for Music Finland to operate as a content producer in the long run. Instead Pekari is looking at this project as a pilot, and hoping to gain Finnish operators and companies to invest in metaverse related activities, and find new funding opportunities for the platform.

*It's certainly not the desired role for Music Finland. Under an EU project like this, it's perfectly justified and a really good thing to start something, But in the future we have to have some perspective on how we can better get the Finnish operators themselves to commit to invest in that type of activity so that they also see the benefits in it. (Pekari, 2022.)*

*Attention can be obtained quite easily abroad, but then again, how could we get more Finnish operators to perhaps join us in doing something there, that is perhaps the bigger question at the moment (Pekari, 2022).*

The project schedule was extended until June 2023. This infers that the project has been successful, and there will be continuity for it in the future in some form. Furthermore, the continuity of this project is supported by owners of Music Finland (Pekari, 2022).

In Pekari's opinion the metaverse-project was perhaps one of the central projects that Music Finland was able to implement with the EU funding, and also one of the main achievements Music Finland accomplished in 2022 (Pekari, 2022). Music Finland is the first export organisation that is known to implement this kind of metaverse related project (2022).

Altogether the aim of the project was achieved, and there is a plan for future development of the Motel Finlandia platform. As a pilot, the project was successful in many ways: it attracted attention; the deficiencies of the platform were detected; there is a plan for future development; interest was aroused, and the metaverse in practice was tested and knowledge collected in its novelty state. As Ball argues, there are many unsolved challenges regarding the metaverse, and there are many bodies competing to define the metaverse based on their priorities and values (Ball, 2022). Therefore different stakeholders are needed to participate in the development (2022). Hence Music Finland's project is valuable.

## **6. CONCLUSION**

Music industries are a formation of different sectors, which all of them have separate ecosystems (e.g., Nordgård, 2018; Wikström, 2020). Digitalisation has reshaped the structures, and dynamics of the music industries profoundly (2018). The distribution and consumption of music changed fundamentally, and this has had an impact on the power structure in the industries (e.g., Jalonen, 2022). Digitalisation caused the music industries major difficulties in the beginning, but once adapted they have benefited from it (2022). New business models were, and will be required as technological development continues.

Metaverse is anticipated to be the next major leap in technological development, and it is beneficial for music industries to be involved with the journey. In recent years we have already seen major concerts on different gaming platforms, festivals and other events on metaverse spaces, virtual artists, and many other metaverse related trials. This trend will perhaps further escalate, and music among many others will be experienced on metaverse in greater capacity. Hence, new business models are required again in music industries, and anticipation to this current development is

essential to avoid lost opportunities and income for artists and music creators. There are still many unsolved questions and challenges regarding the metaverse, but the development is happening continually. Furthermore, this current change could be opening up additional business models instead of competing with existing ones as it was twenty years ago with the digitalisation and recording industry.

Music Finland's metaverse project was successful in many ways.

The artist's representatives participating in Music Finland's metaverse-project applied to join mainly for educational purposes. There is a large amount of information and expectations around the metaverse. Because metaverse is still lacking a clear meaning and purpose, it is perhaps difficult to see past the hype to spot the potential. Both Laitinen and Salovaara agreed that the best way to learn about the metaverse is to test it and participate in a project. Even though they both have questions, and perhaps doubts about VR platforms such as Motel Finlandia, and metaverse based festivals, they both agreed that this project was educational. They have gathered more knowledge about the metaverse phenomenon in the context of music industries, and will keep on following the development with interest. Therefore Music Finland's aims of rising interest, testing and gathering knowledge was achieved on participating artists' part.

The other motive for the artist's representatives towards the project was to gather international visibility for the artists they represent. Based on the data this however perhaps needs further development on Music Finland's part. According to Fiilin, the novelty of the Motel Finlandia VR platform attracted more attention to the platform itself instead of the promoted artist on it (Fiilin, 2022). Additionally Salovaara wasn't fully content with the arrangements of the Metaverse Festival. According to Salovaara, the schedule was tight, and it left very little time to promote the represented artists performance to her fans (Salovaara, 2022). Furthermore Salovaara and represented artist Kauhanen were expecting to include virtual merchandise "verch" to collect revenue from the festival, but in the end this option wasn't available for them (Salovaara, 2022). Hence, the visibility part of the experience for the artists so far fell short. However, according to Pekari the next step on developing the Motel Finlandia platform is to discover how the platform can serve Music Finland's customer base more broadly and concretely. The aim of the project was to conclude a

pilot and test metaverse in practice. This was successfully achieved. In further development of the Motel Finlandia platform the artist's visibility could be set as a more central goal.

Laitinen is optimistic about the incoming novel technology, and sees the potential in metaverse in artist brand development and connecting with fans in new ways. He hasn't formed a clear opinion about metaverse based festivals, but he sees potential in some form of metaverse space for artists to interact with their followers and reach new audiences. According to Laitinen, it is yet unclear if festivals such as the Metaverse Festival, will establish a position in the music industries, or will they form to be something else that will perhaps combine real life and virtual world in some instances. However, Laitinen points out that it is justified for now to test the metaverse, but in the future a business model is needed to generate income for the artists (Laitinen, 2022.)

Salovaara being a live music agent is approaching the concept of metaverse from a live music perspective. She is struggling to see the added value in metaverse based festivals and Motel Finlandia VR platform. However, she perhaps sees some potential in metaverse based festivals and Motel Finlandia platform if the concepts would change to be more interactive and inclusive. She also points out that some technological development is needed in order to get a better experience out of the festivals. Furthermore, a functioning business model is needed to generate income for artists performing at metaverse festivals. (Salovaara, 2022.)

Overall, the artists' representatives were content that they joined the project. They both agreed that they have learned more about the metaverse in practice, and will follow the development in the future. Both of the artists involved were excited and content about the novel experience (Salovaara, 2022; Laitinen, 2022). The biggest challenges in metaverse are discovering a functioning business model to collect revenue for artists and music creators (2022; 2022). Furthermore there is a need for more simple ways to licence music to metaverse platforms (Laitinen, 2022).

Music Finland's metaverse-project is valuable in many ways. The technological development is moving forward, and it is important for music industries to follow the

progress. Other than corporate parties are needed to join the process. As Pekari pointed out, Finland can choose to follow the development from the background, or participate in the progress and possibly be more prepared in the future (Pekari, 2022).

There is a large amount of hype around the metaverse, but when you look past it, there are valid opportunities and potential too. Based on the data and literature of this research, the main opportunities in metaverse are seen in artist brand development, and events based on metaverse. It is yet unknown which direction the development of the metaverse will lead, and what kind of form and position the metaverse will establish. However, VR and AR tools are here already, as well as gaming platforms. There have been successful trials, and collaborations made in music industries as well regarding these. As Jalonen pointed out, more cross-industry collaboration is needed, and Finland has a highly competent gaming industry (Jalonen, 2022). Perhaps collaboration with the gaming industry with Motel Finlandia platform is something to consider as well? Based on the research data Motel Finlandia platform was perhaps lacking added value. Based on the feedback we can consider, perhaps, interactiveness, and inclusion as something to consider in future developments of the platform?



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## **APPENDICES**

The interview questions here are translated in English for the purpose of this appendix. All the interviews were held in Finnish.

The questions worked as a frame for the interview, but additional questions were asked based on the interview and the answers given by the interviewee. Additionally not all the questions listed here were asked.

Interview questions for Teemu Laitela (23.11.2022) and Laura Salovaara (14.12.2022).

### **Background**

Tell me briefly about your organisation and your role in it?

What are your main responsibilities in your organisation?

How do you do internationalisation at your organisation?

How much collaboration do you have with Music Finland in general?

### **Metaverse-project**

Why did you choose to apply to attend the Music Finland's metaverse-project via open call?

How were the submitted artists chosen for this project? On what grounds?

### **Motel Finlandia**

What are your thoughts on the Motel Finlandia VR platform?

Do you see potential in this for the future in terms of music Export?

How would you develop it?

What is the additional value of it?

### **Metaverse Festival**

What kind of experience the Metaverse Festival was for you and your represented artist?

What thoughts did the festival raise in you?

Did you participate to the festival yourself?

What kind of feedback did you get from the artist you represent about the festival?

How do you see metaverse based virtual festivals positioning in the future in the music industries?

Do you think they will establish a position in the music industries?

Who do you think the audience will be?

## **Metaverse**

Have you been involved with metaverse related projects before?

Do you have any other metaverse related projects planned?

Do you have further interest in getting involved or creating something yourself related to metaverse?

Have you done any collaboration with the gaming sector? Or have you been thinking about doing something like that?

What is your opinion about the metaverse in general? What are your expectations for it?

How do you see it positioning in the music industries?

What do you think are the main challenges in terms of the metaverse in general? How about in the context of the music industries?

How do you see the artists positioning with blockchain technology, and particularly metaverse? What kind of potential do you see in it?

How could this affect the artist-fan relationship?

Do you think this new technology is here to stay?

Do you think this new tech development will revolutionise the music industries?

What kind of conversations and thoughts does metaverse rise among music industries based on your own experience and observation.

What are the main challenges and limitations in it?

### **Additional questions**

What do you think are the biggest challenges in the music industries in the next five years?

Is there anything else you would like to share or add?

Interview questions for Teemu Fiilin (14.4.2021) and Turo Pekari (14.4.2021)

Teemu Fiilin

### **Background**

Can you tell briefly about your role at Music Finland and what your main responsibilities are?

### **Motel Finlandia**

Can you tell me about the platform and the background to it?

Why did you decide to implement this platform?

What was the aim and objectives of the Mote Finlandia in the start? Did they change along the way?

Did you come across any unexpected aspects along the way? If so, what were they and how were they solved?

What kind of challenges have you faced along the way?

Where and how have you promoted the platform and the content on it?

What kind of feedback have you received?

What are the future plans for the platform? Do you have any development ideas at this point?

Do you see potential for future music export in these kinds of platforms? How and why?

### **Metaverse Festival**

What are the expectations for the festival?

What kind of feedback have you gotten from the artists?

How do you see metaverse based virtual festivals positioning in the future in the music industries?

Do you think they will establish a position in the music industries?

Who do you think the audience will be?

### **Metaverse**

How do you see Metaverse positioning in the music industries in the future?

Do you think metaverse will establish a position in music industries?

Can it become a more common future promotion tool?

What kind of expectations do you have for the future from metaverse?

### **Additional questions**

What are the main challenges in music industries in the next five years? Can new tech like metaverse help to solve any?