

Study on the place and role of authors and composers in the European music streaming market

September 2022

Prepared by:



Commissioned by:



Key Points

1. The music streaming market today



Music streaming is the dominant way to enjoy music

Today music streaming is the most popular form of music engagement among consumers and its growth is a great opportunity for composers and songwriters.

Since they were launched in 2006, music streaming services have steadily expanded their offerings. Some are available as a standalone service some others as an integral feature of many services and platforms. There is a plethora of new features

designed to attract new consumers. Plus, all services provide a huge music catalogue accessible anytime, anywhere on any device possible.

This access to a massive catalogue in a streamlined and user-friendly manner has been made possible thanks to authors' societies. They are natural partners of streaming services and have played an important role in their expansion, allowing them to start and scale up their businesses.



... but still generates unacceptably low revenues for creators

Despite those improvements in quality and scope of the offer as well as the constantly growing user-base of streaming services, the remuneration of authors remains unacceptably low, and the value authors and composers bring to this market is not sufficiently recognised.

This raises serious concerns among composers, songwriters, and music publishers around the world and

is threatening the market's sustainability and cultural diversity.

Everyone in the value chain has a role to play to make music streaming a future-proof economy for the entire industry.

Some targeted policy actions at EU level might be required to address some of the bottlenecks in this field.

Why a GESAC study?

The debate over fairness in this ever-expanding music streaming market is gaining traction around the world, with a focus primarily on the revenue split between labels and performers or the distribution models of services' revenues through user-centric or other types of schemes.

GESAC asked for this study to have a comprehensive examination of the market, including consideration of how to increase the revenue pie for all parties involved, and understand the needs and expectations of authors, composers, and their societies, who are behind the very songs that fuel the streaming economy.





Music streaming in figures

Dominant way to enjoy music:

68%

of all music engagement [1]

78%

of consumers say they use music streaming services [2]

524 million

users for global subscription-based music services [3]

Expanding offer:



Exponential growth of the offer - there are over 70 million tracks on music streaming services today [4]

8 million

There are approximately 8 million artists on Spotify [5]. The market also sees a growing number of songwriters involved in the majority of the hit songs that drive the financial success of streaming services [6]



Increasing quality of the offer, with higher resolution sound, more user friendliness, better connectivity, interoperability, and new features.

But decreasing value of content:

9,99

The initial fee of 9.99 (in Euros, US dollars or British pounds) set in 2006 has never been raised.



ARPU, Average Revenue Per User, has only decreased over the last 15 years.



Streaming services offer very-extended free (ad-supported) versions that remain the primary choice for most consumers. Those free tiers are generating far less revenue than paid sub-scriptions (e.g. around x10 less).

[1] IFPI 2021 Engaging With Music Report
[2] IFPI 2021 Engaging With Music Report

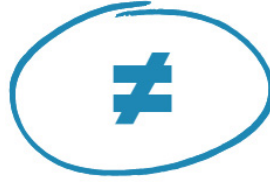
[3] Q2 2021 numbers published by MiDIA
[4] Will Page article "Malbeconomics"

[5] According to the 2022 numbers from Spotify
[6] Music Week magazine

Structural problems of fairness and diversity:



93% of Spotify artists have fewer than 1000 monthly listeners [7]



Systemic problems:

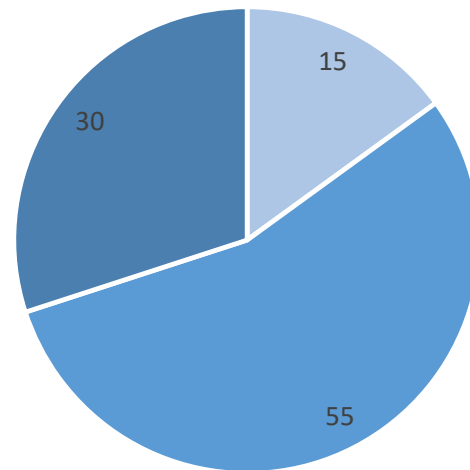
- ghost writers / fake artists
- streaming fraud
- payola schemes and other coercive practices



Lack of transparency of algorithms used by streaming services affect music discoverability and cultural diversity.

Current split of the pie:

Current split of the digital pie suggests that 30/34% of the price paid by subscribers are kept by the streaming service, out of the remaining 70%, 55% go back to the labels and performers, 15% to the songwriter and music publisher [8]



■ Authors/publishers ■ Labels/performers ■ Streaming services

[7] According to the 2022 numbers from Spotify

[8] DCMS Committee Report - UK Parliament 2021

2. The main findings of the study

As the report points out, there are several reasons why the music streaming market is currently failing to generate meaningful growth for creators. And they may be encapsulated in three primary issues that need to be addressed to create a more creator-friendly music ecosystem:



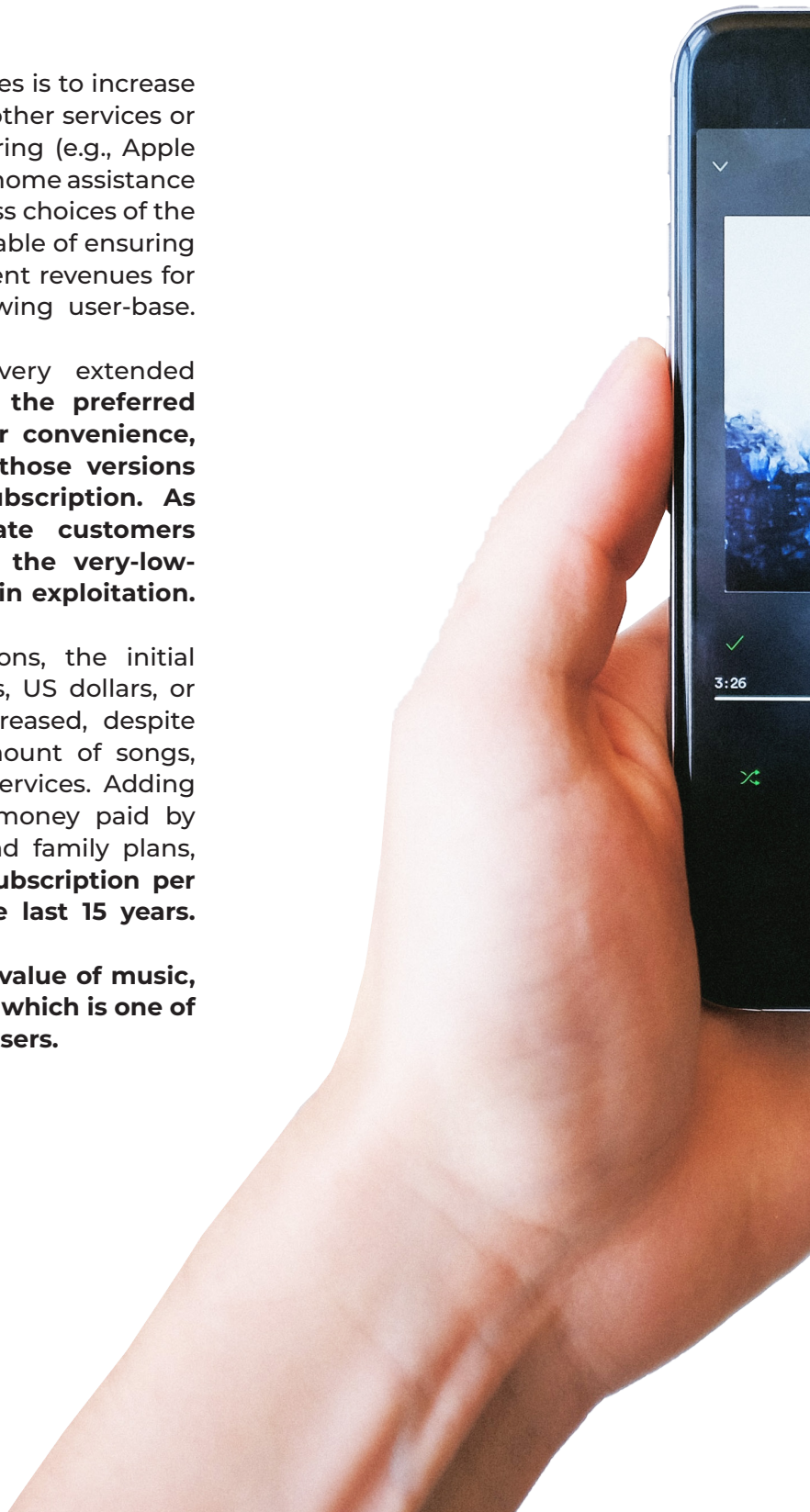
Asymmetry between the goals of streaming services and the aspirations of authors and composers

The main objective of most streaming services is to increase their user-base, and in certain cases, to sell other services or devices that are related to their music offering (e.g., Apple audio equipment, Amazon Prime account or home assistance devices). This is usually done through business choices of the services that make streaming market incapable of ensuring the value of creation and generating sufficient revenues for authors and composers, despite their growing user-base.

Firstly, most streaming services offer very extended **free ad-supported tiers, which are still the preferred choice for most consumers due to their convenience, although the revenues generated from those versions are around 10-times less than paid subscription. As those services do not sufficiently motivate customers to move to paid subscriptions in time, the very-low-revenue-based free offers become the main exploitation.**

Then, when it comes to paid subscriptions, the initial individual subscription fee of 9.99 (in Euros, US dollars, or British pound) set in 2006, has never increased, despite the exponential growth in the quality, amount of songs, and user-friendliness of music streaming services. Adding to that the shrinkage of ARPU (average money paid by each user) through several promotional and family plans, and the inflation in time, **the value of a subscription per user has considerably decreased over the last 15 years.**

The consequence is a general decrease in value of music, making it difficult to grow the revenue pie, which is one of the primary requests of authors and composers.



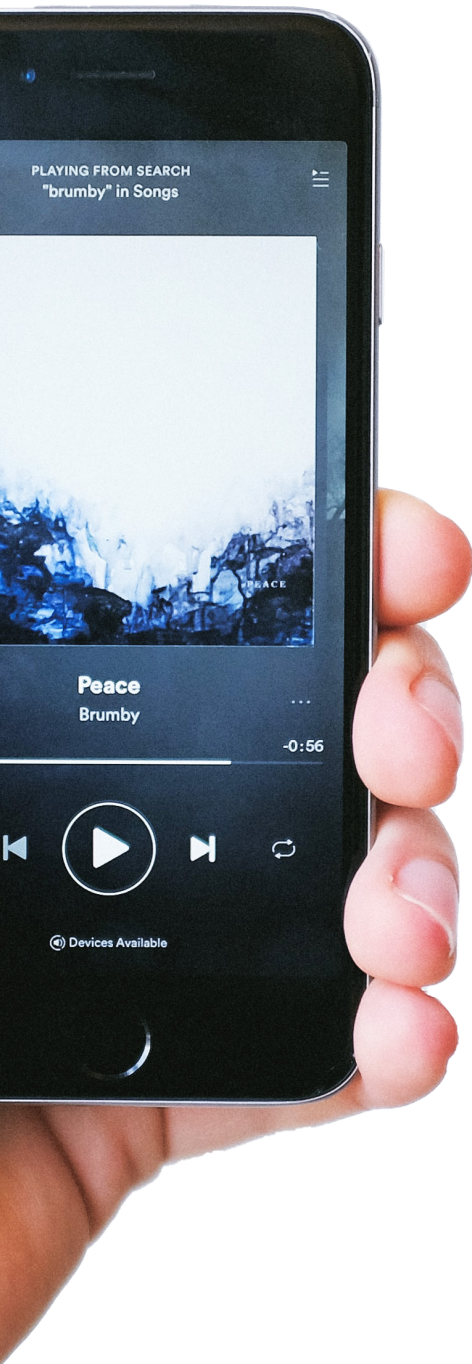


Structural problems of fairness and diversity in the streaming market

The current hit-driven market of music streaming has resulted in a pyramid system, whereby a small number of songs capture a large portion of the listenership. For instance, **57 000 artists accounted 90% of monthly Spotify streams in March 2021. According to the 2022 numbers, 93% of Spotify artists have fewer than 1000 monthly listeners. The use of algorithms, as well as bottleneck represented by the most popular playlists, exacerbates this.**

Furthermore, long-standing flaws in the operations of music streaming platforms, such as “streaming fraud”, “ghost/fake artists”, “payola schemes”, “royalty free content” and other coercive practices worsen the impact on many professional creators. The massive availability of content is overshadowed by the fact that these services are under no positive obligations to ensure visibility and discoverability of more diverse repertoires, particularly European works.

The study recommends increasing transparency in the use of algorithms, as well as promoting and monitoring cultural diversity in its various forms — particularly music genres, languages, and the origins of performers and songwriters — through potential policy actions at the EU level.



Systemic imbalance in revenue allocation

The growth of music streaming services has boosted the music industry but has primarily benefited the recorded music side rather than the authors and composers of songs. According to recent UK parliamentary committee report, due to several structural and economic reasons, the revenue split from streaming is currently curved in favour of the owners of sound recording rights. The study advocates for a better sharing of the value generated by streaming economy between all stakeholders and considers that **after addressing the need to grow the overall revenue pie and the systemic imbalances and dysfunctions in the operation of online platforms, authors and composers should benefit more favourably from the resulting success of this growing market.**

3. The way forward: Towards a more sustainable and author-centric streaming ecosystem

After carefully analysing the various market bottlenecks, the report focuses on three verticals that summarise the aspirations of authors and composers, each of which necessitates a unique set of policies or actions to create a more sustainable and well-functioning music ecosystem:



Better recognition

Firstly, the services can develop more author-friendly functions and better exposure of song-writers and composers through dedicated tools.

At the same time, the EU authorities could assist the music sector by **promoting and requiring**

diversity indicators and tools to monitor the prominence, discoverability and actual use of niche repertoires and European authors on digital services, which would, in the first place, require greater transparency in the use of the latter's algorithms.



Better remuneration

The music streaming market is mature enough to take the next steps **for a meaningful growth for the creators and rightholders by growing the revenue pie** through more realistic market-oriented pricing models and value-added services. Streaming services could set variable pricing models based on their newly offered features and take actions to further motivate their broad user-base into paid subscription models.

Creators must be empowered to protect themselves from coercive practices and payola schemes.

A set of best practices could help to ensure that creators cannot be pressured into accepting lower

or no remuneration and that European rules and standards cannot be circumvented. Moreover, in-depth studies at EU level could be initiated to further evaluate the impact of the different distribution models on creators' remuneration.

Once the pie of streaming revenue grows, then the split of revenue allocated to authors, composers, and music publishers within this additional pot should evolve in different and fairer ways.

Better remuneration of creators shall remain a top priority for any action to balance the remaining unfairness in the digital market.



Better identification and reporting of usage

Awareness-raising campaigns for song-writers would allow to better understand **the value of proper data about their creations** and improvement in the inclusion of data standards such as ISWC into the streaming services system. **Accurate and more transparent reporting from the streaming services and OCSSPs**, is an

absolute legal requirement under EU law, to be properly implemented by the Member States and monitored by the European Commission. **The EU can also play a role** in the improvement and wider use of data management technologies, by allocating resources on projects from CMOs.

For a more creator-friendly music streaming ecosystem

Address:

- 1) Asymmetry between services' goals and authors' expectations
- 2) Structural issues of fairness in streaming market and cultural diversity
- 3) Systemic imbalance in revenue allocation

by:

Recognition

- Tools for visibility & discoverability of authors
- Targeted and clickable search functions for authors and their works
- Equal access to market
- Transparency on the functioning of algorithms
- Monitor & ensure cultural diversity
- Promote European works

Remuneration

- Grow the revenue pie by variable pricing models
- Make sure authors benefit more favourably from growing pie
- Address the Value Gap - Transfer of Value
- Set best practices against:
 - Payola schemes
 - Coercive practices & Royalty free models
 - Ghost writers / Fake artists
 - Streaming fraud

Identification

- Include data from point of creation
- Raise awareness among creators and rightholders on importance of data
- Match ISWC with ISRC
- Strong obligation to report properly, especially for UGC platforms
- Ensure creators' credits, attribution and moral rights



GESAC groups 32 authors' societies in the European Union, Iceland, Norway, and Switzerland. As such, we defend and promote the rights of more than 1 million creators and rights holders in the areas of music, audiovisual works, visual arts, and literary and dramatic works.

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