

Written evidence submitted by Dr Gary Sinclair

Economics of streaming: UK Parliament Committee

Dear committee members,

I (Dr Gary Sinclair) am submitting evidence for this committee based on research I have carried out in my host universities (Dublin City University and University of Stirling) with academic colleagues (Professor Julie Tinson, Dr Paddy Dolan, Dr Todd Green and Dr Grace Fox).

I am a leading academic in the area of digital music consumption. I have received funding from the British Academy and published 16 peer-reviewed journal and conference papers (see appendices) on the subject that have been widely cited. I have hosted a conference and edited a special issue for the European Journal of Marketing on the subject of digital music consumption. Furthermore, I have made significant contributions to the public debate concerning the topic in both national and international media (see appendix for list of contributions).

I believe that my expertise in academic research on the topic will be of value to the committee. My proficiency is in the discipline of consumer behaviour (studies focus exclusively on UK and Irish consumers) and hence I draw specifically from that knowledge in addressing the questions outlined by the committee.

Summary of main research findings:

- The majority of consumers do not understand how artists are compensated by music streaming platforms.
- The majority of consumers do not factor ethical artist compensation into their music streaming decision-making process.
- Music streaming platforms produce billions of data points that are of significant value, not only within the music industry, but to third parties in almost any industry or context. Even a small amount of consumption data can paint a detailed picture of an individual.
- There has been a lack of scrutiny regarding the privacy policies of music streaming platforms and how specifically consumer data is used and shared with third parties.
- The majority of consumers have an implicit trust of major music streaming platforms when it comes to data collection. Consumers have very little understanding of how their data is used outside direct music recommendation algorithms and there is a general perception that music consumer data is only used for the purposes of encouraging and enhancing the quality of further music consumption.
- The quantity, mobility and degree of choice in music consumption has increased significantly as a result of the mass adoption of music streaming platforms. This has led to significant social and psychological implications for users. For example, it has had an impact on the quality of social engagement in a variety of social spaces and is used increasingly as a means in which to 'escape' or 'switch off' from engaging with others.
- Music consumption is increasingly used as a form of task and emotional management for domestic duties, the commute, the working space and leisure activities. This is a reflection of the data-harvesting business model, the evolving format (emphasis on mood and task specific playlists) and the changing music product (e.g. shorter intros for songs).

Summary of recommendations:

- Policy should encourage streaming platforms to adapt a more user-centric payment system for rights holders. From a consumer's perspective, this provides more clarity with regards to where their money goes and increases a sense of ownership over their consumption of specific artists. This would benefit artists financially in terms of the payment system and potentially enhance the quality of their relationships with consumers as well as streaming platforms.
- Furthermore, a user-centric system will likely to lead to greater consumer insight regarding the payment system for rights holders and hence potentially lead to consumers incorporating ethical artist compensation into their music streaming decision-making process.
- Policy needs to encourage streaming platforms to communicate with greater clarity to consumers about where their payments go and how their data is used. In particular, there needs to be clarity concerning the use of music data from political organisations.
- Policy needs to place emphasis on wider communication to the public about the value of their music consumption data.

The following evidence specifically speaks to questions 1 and 2 of the call for evidence and provides greater detail concerning the policy recommendations requested in questions 4 and 5.

Q. What are the dominant business models of platforms that offer music streaming as a service?

The major platforms operate under a freemium model where music services are provided for no fee with the support of advertisements and a subscription model where users pay a monthly fee (approximately £9.99 for Spotify) for an advert-free version. All of the major platforms in the sector (e.g. Apple Music, Spotify, Deezer) function under some combination of these two models. Our research (see Sinclair and Green, 2016) indicates that the development of legal streaming applications played a significant role in migrating consumers from illegal music piracy to legal freemium formats.

Spotify and Apple use a pro-rata system for rights holder payments where all money that is generated through advertisements and subscriptions is divided by the percentage of all streams that an artist received on a particular platform. This model has received criticism as it creates an unequitable balance among rights holders. A user-centric system has been proposed by platforms such as Deezer as a more equitable solution where payments would be allocated directly to the artists' users are streaming. This system has yet to be implemented at the time of writing. Our research (see Sinclair and Green, 2016; Green et al., 2016) indicates that the majority of consumers don't understand how artists are compensated on streaming platforms and that it is not an issue that they prioritise when choosing a music streaming platform. This is most likely a consequence of the lack of media coverage regarding the low artist payments at the time of the research. However, we found a gap between attitude and behaviour when it came to participants who expressed concern for the ethics of artist compensation. This supports previous research (Sinclair and Green, 2016) we conducted on music piracy.

Our current research focuses on the less understood data harvesting aspects of the music streaming business model. All major platforms actively use consumer data to individualise and enhance the consumer experience. This data is used to make suitable playlists (e.g. Pandora's Genome Project) and recommend new music (e.g. Spotify's 'Discover Weekly'). Our previous research (Sinclair and

Tinson, 2017; Sinclair et al., 2019) indicates that such consumer data driven features are popular amongst consumers as they enhance the user experience and encourage a sense of psychological ownership and loyalty for particular platforms. Spotify actively uses such consumer data for traditional marketing communications (e.g. targeted billboard advertising) and individualised content such as personalised end of year data shares (i.e. 'Wrapped').

Spotify, in addition to other streaming platforms, also shares consumer data with third parties. They argue that this is 'to help Spotify understand your interests or preferences so that we can deliver advertisements that are more relevant to you' (Spotify, 2020). This information does not personally identify anyone. Our research (Sinclair and Fox, 2020) indicates that music consumption data can lead to significant inferences concerning mood, personality and even political orientation (see Greenberg et al., 2016). Music streaming applications can use contextual information generated from demographic, geographic and behavioural data to predict music preference but more importantly it can use music preference to predict context (Drott, 2018). In short, this data is not only of value to music industry stakeholders, it is of significant value for almost any context (i.e. industry, politics) where one wants to understand or communicate to a segment of the population in a targeted and persuasive fashion. Furthermore, the characteristics of the music product, the mobility and emotions that are tied up with consumption make the data emerging from streaming applications considerably valuable. Consequently, Spotify's use of this data and its relationship with third parties requires closer attention.

Despite the privacy and surveillance issues raised in recent years regarding big tech, Spotify, one of the biggest data collectors in the world, in addition to its competitors, has been met with little scrutiny in this area from media coverage or academic research. Our recent research (see Sinclair and Fox, 2020) indicates that consumers have very little understanding of how their data is used outside direct music recommendation algorithms and that there is a general perception that music consumer data is only used for the purposes of encouraging and enhancing the quality of further music consumption. Hence, despite research indicating scepticism and a shift in behaviour concerning large data brokers such as Google and Facebook, there is an implicit trust of music streaming applications because of the music context compared to other contexts. We argue that music consumers need to be better informed of how their data is collected and what exactly it is used for.

Q. Have new features associated with streaming platforms, such as algorithmic curation of music or company playlists, influenced consumer habits, tastes, etc?

Our research (specifically, Sinclair and Tinson, 2017 and Sinclair et al., 2019) documents the impact of music streaming consumption in everyday life. Evidence suggests that quantity, mobility and degree of choice in consumption has increased significantly. In short, we can listen to whatever we want, whenever we want. This has significant psychological and social implications. Music has a number of functions within our society. It is used in the formulation of individual and social identities, for the aestheticising of political discourse and social struggle, to improve productivity, manipulate behaviour and a whole host of other functions that typically relate to music's relationship with mood. The easier access and choice with music streaming has hastened these functions and transformed our relationship with music in a very short time period.

Our research shows that consumption of music is becoming increasingly task-centric. It is not typically consumed as an activity in its own right. It is frequently used as a form of task and emotional management for domestic duties, the commute, the working space and leisure activities. This is reflected in the structure of the major streaming platforms that is dominated by mood (e.g.

'life sucks') and context (e.g. 'EDM workout') playlists. The proliferation of the playlist structure is of obvious benefit for target marketing as consumption of a particular playlist is a valuable clue to a consumer's current mood and the context of that mood. It is also reflected in the changing music 'product'. More emphasis is now placed on individual songs that are targeted at influential playlists with high followers and the traditional album format has lost some of its cultural value as a consequence.

Furthermore, our research reveals that increasing consumption (and control in that consumption) has created a paradox of too much choice which has potentially diminished the emotional tension that is central to the quality of a music listening experience for some individuals. This leads to a lack of patience which has been reflected in for example the reduction in the average length of 'intros' to songs from 20 seconds to 5 seconds today (see Léveillé, 2017). It is expected that consumer patterns will continue to evolve in line with the changing format.

Appendices:

Author(s) relevant publications

Peer-reviewed journal papers

Sinclair, G and Saren, M (2019) 'Marketing and Music in an Age of Digital Reproduction'. *European Journal of Marketing*, 53(3): 402-411.

Sinclair, G, Tinson, J and Dolan, P (2019) 'Music in the time-spectrum: Routines, spaces and emotional experience'. *Leisure Studies.*, 4: 509-522.

Sinclair, G (2018) 'Who cares if TayTay gets paypay? Shake it off: The apathy of the contemporary music consumer' In: Brown, S and Holt, T (eds). *Digital Piracy: A Global, Multidisciplinary Account*. London: Routledge.

Sinclair, G and Tinson, J (2017) 'Psychological ownership and music streaming consumption'. *Journal of Business Research*, 71:1-9.

Sinclair, G and Green, T (2016) 'Download or stream? Steal or buy? Developing a typology of today's music consumer'. *Journal of Consumer Behaviour*, 15:3-14.

*Green, T, *Sinclair, G and Tinson, J (2016) 'Do they know it's CSR at all? An Exploration of Socially Responsible Music Consumption'. *Journal of Business Ethics*, 138:231-246.

Sinclair, G (2014) 'Music' In: Michalos, AC (eds). *Encyclopaedia of quality of life and well-being*. Amsterdam: Springer.

Peer-reviewed conference papers

Sinclair, G. and Fox, G. (2020) 'The surveillance of music streaming. Implications for consumer privacy'. American Marketing Association Summer Conference.

Green, T. and Sinclair, G. (2017) 'The broken record: How the music industry is making sense of uncertainty and change.' *Academy of Marketing Science (AMS) Conference*, Coronado Island, California, 2017.

Sinclair, G. (2017) 'Digital music consumption and experiences of ownership.' *The Future of Ownership Conference*, University of Vienna, Austria.

Sinclair, G. (2016) 'Controlling the mundane: Music, space and routine.' *Marketing and Music in an Age of Digital Reproduction Symposium*, University of Stirling, Scotland.

Sinclair, G. and Tinson, J. (2016) 'Psychological Ownership in Contemporary Music Consumption' *Academy of Marketing*, Newcastle Business School. UK.

Sinclair, G. (2016) 'Contemporary music consumption in a post-ownership economy' *E-Mac*, Oslo, Norway.

Sinclair, G. and Green, T. (2015) 'Pirates, streamers, mixed tapes and non-downloaders: A typology of contemporary digital music consumption (legal and illegal)' *Academy of Marketing*, University of Limerick, Ireland.

Sinclair, G. and Tinson, J. (2015) 'An exploration of socially responsible music consumption.' *Academy of Marketing Science*, Bari, Italy.

Sinclair, G. (2014) 'Music as Leisure in the 21st Century.' *World Congress of Sociology*, Yokohama, Japan.

Media contributions

Radio Interview: 'Generation of songwriters being lost due to streaming struggle', [CBS \(Canada\) Radio](#), March, 2020

Podcast: 'Riffing on the digital disruption of the music industry', [DOTLAB Radio](#), January, 2020

Media Article: Sinclair, G (2018) 'Are we outsourcing our emotions to the Spotify algorithm?' [RTÉ Brainstorm](#).

Media article: Sinclair, G. (2017) 'Music industry shows movie makers the way with illegal downloads.' [Irish Times](#), February, 2017

Media Article: Sinclair, G. (2017) 'The music sounds better with you.' [RTÉ Brainstorm](#).

Media Article: Sinclair, G (2016) 'Why "ethical" music festivals may put off revellers' [The Conversation](#).

Media Article: Sinclair, G (2015) 'Who cares if Taylor Swift gets paid? Not many.' [The Conversation](#).

Further cited research

Drott, E., 2018. Music as a technology of surveillance. *Journal of the Society for American Music*, 12(3), pp.233-267.

Greenberg, D.M., Kosinski, M., Stillwell, D.J., Monteiro, B.L. and Levitin D.J. 2016. This song is you: Preferences for musical attribute dimensions reflect personality. *Social Psychological and Personality Science*, 7(6), pp. 597-605.

Léveillé, G.H. (2017). Drawing listener attention in popular music: Testing five musical features arising from the theory of attention economy. *Musicae Scientiae*, Prepublished March 1, 2017.

Spotify Privacy Policy (2020): Access [here](#).