

Written evidence submitted by DIUO

Written evidence submitted to the Digital, Culture, Media and Sport Committee's inquiry on 'Economics of music streaming' by DIUO

1. Executive summary

- 1.1. The major audio streaming platforms have a broken business model. The platform subscription model - where subscribers pay c.£10pcm or a freemium model with advertising - slices that revenue per stream (additionally skewed by playlists) meaning that established artists take the lion's share. It is suggested that 1.4% of artists on Spotify, for example, earn 90% of the revenue. The problem inherent in this model is that the user has a ceiling of £10pcm, no matter how much music they listen to.
- 1.2. Fairer, more equitable business models are possible. DIUO is a 'fair trade' platform for audio and video streaming live gigs and the arts. We allow musicians and other performers to sell tickets, ticket bundles and artist subscriptions to watch streams of their live performances direct to smart TVs and on the web. After costs - which include 10% for our grant programme, and also promotion, production, venue costs and importantly rights collection - 80% goes to the artist.
- 1.3. Algorithmic curation and other features have undoubtedly had an impact on consumer habits. DIUO does not believe music is a commodity and is actively committed to the non-homogenisation of the music industry, and the ensuing pressure it places on artists to deliver an algorithmic friendly hit within 30 seconds.
- 1.4. The UK has a strong history of protecting intellectual property. We believe that it is crucial that the Government continues to support a strong copyright regime both domestically and in international trade deals..

2. About DIUO

- 2.1. DIUO is a 'fair trade' platform for audio and video streaming live gigs and the arts. We welcome the opportunity to submit evidence to the Committee.
- 2.2. DIUO was founded by musicians in the wake of the pandemic to help the music industry, and the wider performing industries, survive. Our platform, launching at the beginning of December 2020, allows musicians and other performers to sell tickets, ticket bundles and artist subscriptions to watch streams of their live performances direct to smart TVs and on the web. Our platform is highly curated - we co-produce the shows with the artists we feature, users cannot upload

without our approval and engagement. Our ambition is to create the ethical Netflix of live streamed music and arts.

- 2.3. We are committed to being a 'good thing' for the music and performing industry: for performers, labels, promoters, crew, technicians and everyone else. That is why at least 10% of every ticket sold via DIUO (in total, not just profit) will go out as grants to freelance musicians; actors; performers; song or script writers; lighting, sound and staging crews; and venues struggling due to the pandemic. Our team have a strong track record in ethical business¹.
- 2.4. DIUO is not just a live performance streaming service. The platform is hands on with producing the shows, recruiting music industry professionals such as sound and lighting engineers - local to the streaming location - that will work with artists, managers and labels to create exceptional live shows, bringing much needed income to the skilled workforce in cities across the UK.
- 2.5. Our business model is simple. After costs - which include 10% for our grant programme, and also promotion, production, venue costs and importantly rights collection - 80% goes to the artist, with 20% retained by DIUO for our services. The business is committed to paying rights fairly from the outset. Data regarding all streamed content on the platform - including track name & songwriter - will be recorded using metadata and submitted to PRS. After consultation with our legal team and their contacts with PRS, we are budgeting 9% of income for rights for live shows and 15% for video on demand recorded shows.
- 2.6. We believe this model is equitable and fair: providing benefit for everyone who takes part in the music and performing industries without seeking rent. We also believe that the explosion in live streamed content provides a threefold opportunity post pandemic - 1) for venues to maximise & rebuild their income by hosting blended events - i.e. selling tickets online as well as for premium seats in house; 2) for artists to expand their fan base by both transcending geographical restrictions without negatively impacting the climate and by creating streaming-specific content to retain & grow their base; and 3) by continuing to increase accessibility to music for those individuals unable to easily access live content, either as a result of disability or financial reasons.

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

- 3.1. There are two axes along which music streaming business models can be mapped: how the user pays for the service and how the artist is paid. They are sensibly taken separately.

¹ <https://www.nesta.org.uk/feature/new-radicals-2018/andrea-cockerton/>

- 3.2. Typically users are monetised in one of two ways. The first is through a recurring subscription for unlimited and unfettered access to the streaming service and its entire catalogue. The second is through ad-supported access, though which users will have access to the service with the interruption of adverts and usually with some limit to catalogue access or functionality or both.
- 3.3. We understand that artists or, more accurately, rightsholders, can typically be paid either a flat fee for their catalogue on a service or a fee per stream. The fee per stream is typically fractions of a penny and this varies depending on whether the streamer is a subscriber or is an “ad-supported” stream and of course on the streaming service.
- 3.4. It is the case that larger artists are more likely to be paid a high flat fee, rather than a per stream fee due to the service subscription being allocated based on stream count.
- 3.5. It is important to note that where the rightsholder is not the artist, the artist will receive a percentage of the fee paid to the rightsholder. This fee will depend on their agreement with the rightsholder. However in some cases, it has been noted in the media that a number of high profile music streaming brands (YouTube, Amazon, Twitch) are not paying PRS. DIUO fundamentally stands against this.
- 3.6. There are some further nuances. For instance, some services are all-you-can-eat with a huge catalogue of music. Others, such as Patreon, facilitate access to specific acts. This access often comes with membership of exclusive fan communities and merchandise discounts.

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

- 4.1. There has been a reasonable amount written about the impact of algorithmic curation and recommendation of music on consumer habits and tastes. Particularly, it is regularly suggested that this creates an ‘echo chamber’ for tastes and habits.
- 4.2. It seems likely that this new way of recommending music has had an impact in a way that magazines or a recommendation from a friend did not. There is less obvious friction with listening for hours on end to music in a single genre.
- 4.3. But it is also the case that many streaming services have enormous catalogues of artists and genres. It stands to reason that this would broaden the scope of what consumers listen to that might have been more difficult to achieve previously.

4.4. DIUO does not believe music is a commodity and is actively committed to the non-homogenisation of the music industry, and the ensuing pressure it places on artists to deliver an algorithmic friendly hit within 30 seconds. It is doing so by recruiting experts from the music industry - including music journalists, bloggers, radio presenters & artists - to curate human selected strands of content on the platform, such as world music, jazz, drum & bass and so on.

5. **What has been the economic impact and long-term implications of streaming on the music industry, including for artists, record labels, record shops, etc?**

5.1. Streaming has had an undeniable impact for all parts of the music industry's ecosystem. As the Committee notes, streaming adds billions of pounds annually to global wealth.

5.2. Some of this is additive. But some of it is also redistributed. For instance, in the UK in 2006 there were 19 million hard copy singles sold and 164.4 million hard copy albums sold. This was essentially the sum of music sales. In 2017 physical sales made up just 30% of music consumption in the UK, with digital (both downloads and streaming) making up 50%.

5.3. This shift has undoubtedly made it harder for physical retailers to operate: there is a smaller pie for them to share.

5.4. The model of streaming giants has without doubt had a huge impact on the ability of some artists to earn. The platform subscription model - where subscribers pay c.£10pcm or a freemium model with advertising - slices that revenue per stream (additionally skewed by playlists) meaning that established artists take the lion's share. It is suggested that 1.4% of artists on Spotify, for example, earn 90% of the revenue. The problem inherent in this model is that the user has a ceiling of £10pcm, no matter how much music they listen to. This model is fundamentally flawed. However the sheer size and oligopoly of the big streaming entities make it difficult for new entrants with more ethical models to enter the market and gain traction. We believe that artist-centric models should be encouraged and supported to ensure the sustainability of the music industry.

5.5. We also believe though that the emergency of covid has presented an opportunity. As a direct result of covid, there has been a dramatic increase in the demand for, and provision of, live streamed audio and video. This was initially via platforms such as Facebook, YouTube and Twitch. This came with the associated problems of monetisation and rights. This in turn has led to an increasing number of entrants to the market, such as DIUO, offering a stand alone streaming service where musicians are more able to monetise their content. Audiences are now becoming familiar with the concept of i) paying for

online gig tickets and ii) paying fan subscriptions for regular content from the bands they love (as proven by Melissa Etheridge with c.1100 subscribers paying \$50pcm for just her). Both these shifts put substantially larger shares of ticket income into the hands of the artists. This is incredibly positive.

5.6. It is also important to note that there are other positives to streaming. While it is by no means likely that a new artist will find immediate international fame, streaming services provide a platform on which artists can make their work immediately available to a global audience in a way that would have previously required the heft of a major label. It is possible that streaming will make it *more* likely that artists can emerge without being 'spotted'.

6. **How can the Government protect the industry from knock-on effects, such as increased piracy of music? Does the UK need an equivalent of the Copyright Directive?**

6.1. The UK has a strong history of protecting intellectual property. This is one of the reasons that our creative and performing industries are genuinely world leading.

6.2. We believe that the most important thing is that the Government continues to support a strong copyright regime both domestically and in international trade deals. Whether this is through a UK equivalent of the Copyright Directive or through continued and serious enforcement of the existing regime is less important, in our view, than the outcome.

7. **Do alternative business models exist? How can policy favour more equitable business models?**

7.1. Alternative business models do certainly exist.

7.2. As outlined above, we believe that the majority of legacy streaming platforms have flawed business models. However the new cohort of streaming platforms for audio and visual streaming are in better positions to treat the artists and writers fairly.

7.3. Each offer different levels of service. Some are simply beautified, user upload equivalents of YouTube and Facebook with monetisation models built in. Others - of which DIUO is one - offer hands on AV and camera production to create first class content. The percentages offered to the artist therefore differ per platform, no doubt based on the level of input from the platform.

7.4. The good news is that most of the new platforms - to our knowledge - are PPV (pay per view), with the lion's share of income going to the artist. A small handful (including DIUO) also offer artist subscription (SVOD - subscription video on

demand) which is a cost effective way of retaining user subscriptions and increasing income for artists and platforms. The absolute essential part is that these new models build in PRS / rights payments.

- 7.5.** For instance, we are currently in discussions with an established TV streaming platform with c.20m active users, with regard to a joint venture where DIUO's content is also hosted on their platform. This TV streaming platform has existing relationships with PRS and importantly its monetisation model is PPV, meaning again that artists will receive significant income from user stream purchases. This will allow for artists to achieve greater reach without compromising on receiving their fair share.
- 7.6.** With regard to audio only streaming, we are aware of Deezer's interest in a 'user-centric payment system' which seeks to ensure that users' subscriptions directly benefit the artists they listen to. This would perhaps be more equitable, and is something that the Government should engage with industry - both the music industry and the streaming industry - on.
- 7.7.** We also believe that businesses can choose to be good corporate citizens and positive members of ecosystems and that there is a shift in public sentiment towards businesses treating their clients and customers ethically. That is why at DIUO we have committed to donating 10% of our total revenue to provide grants to those struggling due to the pandemic. We will continue this after the pandemic to support the industry of which we are part so it is stable, functioning and thriving again. We believe that Government and Parliament should be clear with business about the kind of corporate behaviour they expect, and should engage closely with those that demonstrate responsible, positive activity.