

## Written evidence submitted by Dave Mathers

### Economics of Music Streaming Call for Evidence

I'm a UK based artist who creates mostly solo piano + jazz music. I have a modest amount of monthly streams, primarily on Spotify. And I believe the current compensation that artists receive for streams of their music is disproportionately low relative to the income they generate for the industry.

Here are my thoughts.

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

Their business model is that they have the draw of major artists to bring people to the platform, and they keep them there by offering a host of playlists full of music for any genre/mood you feel like.

From an artist's perspective, the only way to currently make any sort of meaningful income from streaming is to be featured on an editorial, or popular algorithmic playlist. From my distributor's payout page my pay per stream works out to ~£0.0026, or a quarter of a penny. So in order to make minimum wage (~£1400 p/m) I would need over half a million streams every month.

Imagine busking on the street and 1000 people not only walk past, but choose to stop and listen to your music. Afterwards you look and see that you only made £2.60. That's what we're looking at right now as artists when it comes to streaming revenue.

We need transparency before this problem can be solved. Spotify is worth millions from subscriptions and ads combined. Where is this money going and why is it not finding its way to the musicians who sustain the platform?

Greater value needs to be placed on the music, and not on what the music can do for the platform.

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

This is certainly the case. If we take Spotify as an example, the way users typically discover new music is through playlists. These playlists are organised usually by genre, or mood.

If you're lucky enough to be featured on an editorial playlist, it's very likely that a user can hear and enjoy your music, yet have no idea what your track is called, or who you are. You're just one wave in a sea of whatever genre or emotion your music is centered around. You get 'exposure' in the sense that your music is being listened to, but I don't believe this translates to gaining fans.

The turnover on these playlists is very frequent. So even if you get a lot of listens while your track is playlisted, once it's removed you're not really left with much when it comes to growing your follower base.

(There has been some suggestion that Spotify commissions works from talented producers to feature in their playlists under pseudonyms. I do find it suspicious that when you look at the artists featured in major playlists they often have no bio, or apparent online presence anywhere else, yet all of their released music on Spotify is playlisted and generating millions of streams – this may also be an avenue to explore in your inquiry.)

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

Streaming is convenient, simple, portable. From many points of view it's a fantastic service from the perspective of listeners, and artists.

Until it comes to the payout.

As it's now dominating much of the revenue generated from music, physical media such as CDs, vinyl etc, are on the decline. But as artists can't currently make money from streams, the decline of physical purchasing means their overall income is diminished. And if they don't actually gain many fans on streaming platforms then their merch sales aren't increasing either.

## **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?**

If we use Netflix as a comparison, its introduction greatly reduced the amount of movie/tv show piracy. Why? Because it was convenient. More convenient than pirating something, and subscription fees meant people could feel like they were contributing without breaking the bank.

However movie piracy is once again on the rise because of the fierce competition to Netflix that has appeared. There are now multiple movie streaming services that each have different titles on them and many subscription fees are required, convenience has decreased, so people are resorting to piracy again.

Many Artists don't want to use Spotify because of the terrible payout, sketchy business practices, and the fact they feel like they're being taken advantage of. And some larger artists have exclusive deals with certain services so their fans have to use them.

This results in listeners needing multiple services to access artists music, which decreases convenience, which leads people to piracy.

Greed leads to piracy. The vast majority of people can afford to pay one £10 per month subscription.

Nobody wants to pay 3x£10 p/m subscriptions to music services + 2x£12 p/m for movies/tv shows, + £8 p/m amazon prime. As well as trying to work out which service is going to have which artist/movie you want to hear/see.

Convenience + good audio quality heavily disincentivise music piracy.

Piracy isn't the problem, it's a symptom.

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

1) Transparency from top to bottom.

2) Minimum payout amounts that increase proportionally as a service's NET WORTH not NET PROFITS increase. (Companies can simply buy property + invest, and this decreases their NET PROFIT so they can claim they can't increase payouts all the while making money over and above that from the service itself)

3) More emphasis on the creators on the platform. And more freedom when it comes to their artist page customisation (+3<sup>rd</sup> party integration).

4) Consider a User Centric Payment System whereby a listener's subscription fee is divided between the artists they actually listen to that month, as opposed to it all going in one big pot and then being divided across the whole platform.

5) Break down the dominance of major music corporations + labels (audit the relationships between them and streaming platforms to expose any conflicts of interest and get an understanding of the monopoly they currently have).

Thank you for reading my thoughts :)