

## Written evidence submitted by Sonstream Ltd

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I am a Songwriter, Session Player, Music Producer and Label Owner.

I am also creator of an alternative and revolutionary streaming platform called Sonstream.

*Sonstream* is a “Pay per Play” model that satisfies all issues presented by the current market condition. However, there is an “elephant in the room”, and I believe that until that is acknowledged, no suggestions in this debate will ever be seriously implemented either by law or by market forces.

I wish then, to use this opportunity to re-calibrate how the issues are perceived...

### Q 1. What are the dominant business models of platforms that offer music streaming as a service?

The ‘elephant in the room’ is the “ad-funded” model; it is the biggest source of music by a country mile! It effectively gives music away for free.

With ‘ad-funded’ Music, the consumer suffers the inconvenience of brief, interspersed advertising, and sacrificing data of their behavioural patterns. Understandably, for most consumers, that’s perfectly fine; they get something for free ...

There is also the Subscription Model, which in reality, is completely dwarfed by ad-funding.

Ad-funded music from YouTube alone provides somewhere between a (very conservative) estimated 51% [1] and 78% of the worlds’ entire online music consumption. The size of the online music market is approximately 4.5 billion, yet YouTube only has 20 million paying (music) subscribers – 0.44% subscription uptake. Spotify claim 130 million subscribers – so 2.8% uptake. Spotify actually have 286million users in total – so even their established customer base overwhelmingly opt for ‘freemium’ rather than subscription. Viewed in context of potential market size and that the subscription model has been on offer for 15 years; it is not a success. [2] [3]

It’s barely even worth considering subscription in the debate. Consumers simply don’t like to pay £10 up front for something they may or may not consume – and hence the market is overwhelmingly dominated by the ad-funded model.

This is the “elephant in the room”. Think of it in these terms:

You couldn’t sell a bag of chips for 5p, if a chip shop down the road gave them away for free.

So really, the question is this: why does such an absurd imbalance exist?

The answer is that whole ecosystem is dictated from the perspective, and therefore advantage, of the Tech Industry rather than the Music Industry... And this is where it truly becomes an insidious, cynical hustle.

The tech giants have of course, trillions worth of hardware and software product to sell; in effect, they are always ‘advertising’ themselves. So naturally, it only makes sense to award music content that is in huge demand – music which has ‘advertising’ power. Any content that is *not* worth anything other than a 100K+ streams in one week is of profoundly diminished value...

Put technically; there is a tariff system so complicated and esoteric that it’s mind-boggling; it’s the very art of obfuscation in fact. The principles (very) basically work as such: [1] [4]

**1 Million streams in 1 week = a good tariff**

**1 Thousand streams in 1 week = approximately £1+**

**1 Hundred streams = you earn nothing**

In this context, we see a crime of profound irony:

The majority of music consumers actually represent all age ranges and demographics; and they listen to a huge array of music. Millions of disparate tracks, consumed by millions of consumers, have little *real* value to the advertisers... Ask what all this “almost-value-less” music is really selling? The answer put crudely is YouTube.

The overwhelming majority of music creators are now effectively supporting a commercial ecosystem without seeing any tangible reward.

To summarise: perhaps someone should dare to ask: If YouTube had to pay it's "top rate" for every music stream, would its business model survive? The answer is clear: it would not!

## **Q 2. Have new features associated with streaming platforms, such as algorithmic curation of music or company playlists, influenced consumer habits, tastes, etc**

The question here should not be "have", but "why"?

New musical product (artists releasing new singles / albums) has always required sizeable teams working on multiple layers of Business, PR & Marketing etc, and still do. These were roles once undertaken by the Labels; but not anymore - it is the platforms that now roll out these services...

The Top 40 Chart has been superseded (& delegitimised) by the Playlist, and whereas the old Top 40 could be *influenced* to an extent, the manipulation of playlisting is unbridled... Such power of course, aiding the efficiency and sale of Marketing and Advertising product.

As for 'algorithmic curation'... Again, the question should not be "have", it should be "why" ...?

The justification for such intrusive code is that it assesses consumer tastes, and therefore delivers a more satisfactory experience. It's a duplicitous spin; it enables the platforms to know more about the consumer so that they deliver more targeted advertising and then sell on the personal data.

## **Q 3. What has been the economic impact and long-term implications of streaming on the music industry, including for artists, record labels, record shops, etc?**

20 years ago, a young band starting out would have had CD/Vinyl/Cassette demos to sell at gigs for £2.50 and they would sell hundreds, perhaps thousands; it helped all artists fuel their early careers. A similar "street level" demo is now utterly worthless... However, is streaming *really* to blame?

We must accept that in real terms, over the wider UK, there are *no* more gigs at which to sell any demos (not including the impact of COVID)! And that the demise of Gig Culture is symbiotic with the demise of Pub Culture. They are both victims of an increasingly online society, but also factors like cheap supermarket booze had an insidious effect on Youth Culture and everything once symbiotic to it.

It is a mistake to demonise music streaming and make it responsible for all degradation within the Music Industry. It will play into the hands of the Tech Industry [the streaming platforms] who will take advantage and promise that they're the only solution in town and a burgeoning online music scene is just around the corner... It will give them an angle to sell us even more "services" – paid for by musicians with all profits again taken by the Tech Industry.

## **Q 4. 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?**

The Copyright Directive, or similar, is a must, but it has to be legislated so that the platforms burden the cost of policing their platforms, not the Rights-Holders. For instance, YouTube with their 'Content ID' system – the onus is very much on the rights-holders to provide tiers of documentation & data to enable YouTube to then scan their networks in an effort to discover copyright infringements. This is not only impractical for the overwhelming majority of rightsholders but also not necessary. It is institutionalised obfuscation. The code is readily available for YouTube to scan [police] audio content the moment it is uploaded, they just don't want to; their business model would collapse if they did ...

Furthermore, any difficulties YouTube may have in conducting its own business without copyright infringement should hardly be the concern of anyone but YouTube! To provide an analogy: It would be like a restaurant that repeatedly fails a hygiene inspection saying that it can't afford to clean its kitchen, but it *must* be allowed to keep serving anyway...! We have all been sucked into the industry Stockholm syndrome; that we have to treat YouTube – a multi-billion-dollar global business with empathy, and then afford it some allowances when it can't pay us for *our* product!

In order to know how to protect the industry from piracy, we must first define what piracy is. A fair definition would be this: piracy is using another party's IP without providing a fair remuneration in return. Therefore, it can be strongly argued that *all* of the major streaming platforms are engaging in piracy!

The majority of Artists are not able to negotiate sweetheart deals with the platforms and are left in the precarious situation of not being able to profit from the recorded music they have invested so heavily in. £0.00348 per stream (Spotify's 2019 average) [1] is not a fair remuneration for someone's work, whilst Ed Sheeran, whose songs are streamed in the millions gets significantly more. How much more is hard to say; Spotify don't publicise those figures of course.

According to the RIAA earlier this year, they reported that YouTube made up 51% [1] of all music streamed, however only paid out 7% of the total revenue for that year. It should be noted that this figure also only applied to their Content ID music [which is limited members such as the BPI and the Major Labels], which accounts for less than half of the music on the platform.[1] Again, this is not a fair remuneration.

YouTube are of course, the worst Pirates of them all – a legitimate protection racket thriving off of millions of recordings it doesn't really pay for, it only pays off. Legislation could, and should, take YouTube to task; and to do so would force change throughout the industry.

NB: YouTube boast that they paid \$3 Billion to the Music Industry in 2020 (even though Ad Revenue was 15 Billion). It should be noted that the Music Industry is worth \$19 Billion, but 20 years ago it was worth \$23 Billion. In context of Global Growth, this represents a dramatic drop in fortunes. [5]

And it should be remembered that the whole mess with the Music Industry is because they failed to understand the momentum of the new tech age, and naively took advice from the Tech Industry – the very people who were *actually* out to rob them blind.

#### Q 5. Do alternative business models exist? How can policy favour more equitable business models?

Pay per Play [Sonstream.com] is the alternative. Put simply; the Pay per Play system means that the customer always pays a fee for any music streamed, but conversely, also pays nothing if they *play* nothing.

It would require either a seismic change to a market psyche that is accustomed to free [ad-funded] music; or legislation that introduces that change. Pay per Play could snap the Music world out of its current Stockholm Syndrome (pun intended), if it was given such a chance.

The average User would end up paying around £5 per month (far less than any equivalent subscription service); each stream pays out on average 21x more than Spotify. It doesn't matter if it's 1x stream or 1,000,000 x streams, the pay-out remains the same, and so does the charge to the user (if they play anything at all that is).

Pay per Play [Sonstream.com] works because it's business model centres on music being the product, and not the platform.

Legislation could enforce royalty payment to performers (PPL) from the streaming industry and raise the songwriters' royalty to 25%. However, both of these measures would only be economically viable if royalty collection was [by law] measured on a per stream basis that was stringently dissociated from algorithmic promotions [playlisting], and / or contracted monetised advertising use.

Legislation could also, if it were focused on a 'Pay per Play' system, go a long way to *not just* saving the music industry, but in fact lead the world in how corporate law can curb the grotesque power of Silicon Valley. Legislation for music copyright could prevent the TV and Film Industries from the same fate as Music. It could re-vitalise legacy IP and it could perhaps even save the BBC!

Legislation could also re-value legacy recordings and revolutionise how our music heritage is commercialised. Old recordings may not have the glamour or focused advertising clout as contemporary 'Pop' music (in all its forms), but they do in fact, constitute the bulk of all music streamed – ever!

Recording [& song-writing] copyrights should run indefinitely. Our existing copyright laws devalue recordings and musical IP and essentially hands over the greatest loss leaders of all time to Silicon Valley! The British economy sees negligible tax revenue from this, and a potentially highly lucrative creative culture is sold down the river never to be returned.

The need to reform our copyright laws is not only an economic one, it is a moral one. The very idea that a music recording – a commercially created product – can have its value limited by law reveals a persistently condescending perception of the music profession. Ask this rhetorical question: would anyone work for 40 years to buy a house only to hand it over to the state 10 years later?

The 21<sup>st</sup> Century will see more value focused on IP than we can ever imagine. By scrapping any time limit on IP copyright, would be to re-monetise our heritage and future too.

A duplicitous deceit lies behind every element of this debate: that the tech giant / streaming platforms in fact view themselves as the 'product' and music as a 'loss leader'. If copyrights ran indefinitely and all streams were to be monetised equally under a pay per play system, the royalty pay-outs would inflate beyond comprehension. As unimaginable as it is, free 'ad-funded' music would end. YouTube would never be the same again. The Tech Industry – YouTube, Spotify et al, would have to finally recognise that music *is* the product, and not them.

- [1] <https://thetrichordist.com/2020/03/05/2019-2020-streaming-price-bible-youtube-is-still-the-1-problem-to-solve/>
- [2] <https://musically.com/2020/02/19/spotify-apple-how-many-users-big-music-streaming-services/>
- [3] <https://www.businessofapps.com/data/spotify-statistics/>
- [4] <http://www.godisinthetvzine.co.uk/2019/04/10/opinion-why-we-need-fairer-alternatives-to-spotify/>
- [5] <https://www.musicbusinessworldwide.com/youtube-says-it-paid-the-music-industry-over-3bn-last-year-around-20-of-its-annual-ad-revenue-is-that-a-good-deal-for-artists/>
- [6] <https://impalamusic.org/stats-2/>
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- [18] <https://www.nme.com/news/music/musicians-union-justice-at-spotify-campaign-2799626>
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- [20] <https://www.getintothis.co.uk/2019/07/ifpi-reveals-recorded-music-industry-now-worth-14-6bn-as-uk-becomes-the-globes-third-largest-market/>
- [21] <https://www.businessofapps.com/data/spotify-statistics/#1>