

Written evidence submitted by the Digital Media Association (DiMA)

DiMA Written Evidence: Economics of the Music Streaming Industry

We welcome the opportunity to provide written evidence as part of the Digital, Culture, Media and Sport Committee's inquiry into the economics of music streaming.

Introduction

DiMA is the leading organization advocating for the digital music innovations that have revolutionized the way music fans and artists connect. DiMA's member companies – Amazon, Apple Music, Google/YouTube, Pandora, and Spotify – play a vital role in promoting content discovery and accessibility and connecting various facets of the industry. DiMA represents the world's leading audio streaming companies, whose innovations are driving the economic engine that have helped to save and revitalize the music industry, bringing it forward from the depths of the harm caused by piracy into a brighter future. DiMA's member companies deliver relentless innovation that benefits creators, rightsholders, and music fans, creating a resurgence in the industry. Streaming services are committed to ensuring all industry participants continue to share in that growth.

It is important that the music industry is recognized by policymakers and we welcome the opportunity to highlight the contribution of music streaming services to the UK, and to set out the role of streaming and how it fits in alongside the other key stakeholders across the music industry.

Economics of the Industry

The music industry employs almost 200,000 people in the UK^[1], including the artists themselves, songwriters, managers, record labels, publishers, collection societies to tour crew and staff at music venues, as well as those working at streaming companies.

The variety of roles available shows that the music industry is much broader than streaming, and we think it is important that the Committee examines the economics of the industry as a whole as part of this inquiry.

While music streaming services play a vital role in enabling content discovery and accessibility, they are one link in the long chain between music fans and music creators.

Artists and songwriters are not paid directly by streaming services for the use of music they have written and performed. Rather streaming services enter into agreements with record labels, music publishers and collecting societies to make available music that those entities have the rights to license in exchange for payments. Streaming companies generate revenues from the sale of advertising and subscriptions; a substantial portion of those revenues are shared back to these rightsholders.

Streaming services have no influence over the terms agreed between rightsholders and creators, including royalty rates. In fact, once streaming services have paid the rightsholders, they have very little

ability to see who pays who, and do not know how much ultimately ends up in artists' or songwriters' hands.

The labels, publishers and societies share a portion of their revenues with artists and songwriters, but other entities or individuals may also (and often do) participate in the artist's or songwriter's revenue pool – for example, talent managers, lawyers, and business managers.

Industry economics are complicated and must be viewed with all links in the chain in mind, but every participant in the music industry supply chain described above makes contributions that help enable music to reach fans. DiMA recognizes the value of all participants as it advocates for a pro-growth music ecosystem that benefits all stakeholders.

Benefits of streaming

Subscription models are an integral part of UK households with UK customers spending £3billion on streaming music, films and TV in 2019.

[According to Ofcom](#), UK consumers are often early adopters of new technologies and streaming is no different, with more than 30% of the UK population now using a paid-for subscription music streaming service^[2]. Music streaming customers span the breadth of the UK population. Although over 80% of under 25-year-olds have a music streaming subscription, the over-55 year-olds were the fastest growing demographic in streaming over the past 12 months.

The reason for this level of growth is the consumer benefits provided by streaming services, described below. Customers find their subscription provides value for money, variety and a personalized experience. Non-paying customers also reap benefits from advertising-supported services.

Economic benefits

The UK is estimated to be the biggest digital music market in Europe, with a revenue of approximately [1 billion U.S. dollars estimated by the end of 2020](#). 70% of the subscription revenue flows back into the music industry and helps provide broader support for an industry worth over £5 billion^[3] to the UK economy. This data is consistent with what we are seeing in other leading markets, such as the US, where overall streaming revenues hit 10.3 billion dollars in 2019, accounting for more than three quarters of the total revenue for the US recording industry.^[4] As stated above, the money flows throughout the music industry, beginning with streaming services paying labels, publishers and collecting societies.

Consumer benefits

Music streaming services benefit customers in a number of ways:

- **Personalization:** Music streaming is curated, providing a unique and personalized experience for every user based on their likes, interests and listening habits. It enables consumers to discover old and new music like never before. Personalization is and will continue to be a core characteristic of the streaming music universe—identifying and

inventing new ways for music fans to connect, engage, and expand their music listening experience.

- **Discovery:** The convenience and ease of experience on streaming services is what makes music discovery work for music fans, and presents major opportunities for artists, copyright holders, and advertiser brands to reach these audiences.
- **Accessibility:** Streaming services have increased access to music. Music services can be reached via desktop computer, mobile, smart speakers and in the car. The continuity of listening experiences will become more important, with artificial intelligence-driven capabilities able to serve music specific to context, location, and mood.
- **Choice:** Streaming users have access to tens of millions of songs. This choice and variety was not something consumers were able to enjoy before the creation of streaming services – although radio, record shops and live music are an important part of the music fan experience, consumers have been able to find an increased breadth of music thanks to a streaming service.

Innovation

Innovation in the industry is nothing new. From the creation of vinyl to cassette tapes and CDs – the methods for how people enjoy music has changed over time, keeping up with changes in consumer behavior and technological advancements.

No one could have imagined in 1962, when the cassette tape was created^[5] that just over 50 years later music catalogs of millions of songs would be readily accessible to tens of millions of customers around the world.

Innovation also leads to additional benefits -the popularity of streaming services has helped reduce levels of music piracy in the UK^[6] and across the globe. Advertising-supported services have helped generate revenue from users who have shown an inability or unwillingness to pay for content. Streaming continues to play a frontline role in the anti-piracy fight today.

YouGov poll2018: “It is now easier to stream music than to pirate it. And the cost is not prohibitive,” explained one respondent, as the survey revealed that 63% of people who once pirated music have instead moved over to streaming services to fill in the gap^[7].

Supporting emerging talent

Music streaming services also support emerging artists. The personalization of services and access to curated playlists mean that streaming can bring artists together with new fans in a new way.

Many services also have their own dedicated initiatives such as Spotify’s RADAR, Amazon Music’s Breakthrough, YouTube Music’s Foundry program, and Apple Music’s Up Next.

Conclusion

Streaming services are an important and beneficial part of the music industry. We welcome the launch of this inquiry, which provides an opportunity to set out the role of streaming services and how they work with others across the music value chain.

Music is core to the services offered by DiMA members, but those services are just as central to the success of music. The audience and the music are both essential components of a viable music industry. DiMA members bring the connection to music fans that the labels and publishers cannot. Without the audience that DiMA's members bring, the music industry would be substantially diminished.

DiMA believes in a system that ensures industry participants can share in the growth of streaming and the virtuous partnership visible throughout much of the industry can continue to be nurtured.

As we noted at the beginning, to fully understand the economics of streaming, it is important that the Committee hears evidence from all of the right stakeholders, including the streaming services, the labels, publishers and other rightsholders as well as other important platforms, and, of course, artists and songwriters.

[1] https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Report.pdf

[2] <https://eandt.theiet.org/content/articles/2020/05/music-streaming-services-booming-in-the-over-55s/>

[3] https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Report.pdf

[4] DiMA. (2020). *2020 Streaming Forward Report*. <https://dima.org/streaming-forward-report/>.

[5] https://en.wikipedia.org/wiki/Cassette_tape

[6] <https://theindustryobserver.thebrag.com/music-piracy-decline-streaming-easier/>

[7] <https://theindustryobserver.thebrag.com/music-piracy-decline-streaming-easier/>