

Research for CULT Committee: Cultural diversity and the conditions for authors in the European music streaming market: a bibliographical review

General overview

Emerging alongside the rapid development of the internet and digital technologies that have particularly thrived over the past two decades, music streaming (and streaming in general) is a technology that offers unlimited access to a selected catalogue of audiovisual content via an online platform. The year 2006 is often seen as the starting date for music streaming, with the launch of the Swedish streaming platform Spotify, the current market leader. The technology, however, had already been developed long before and in reality does not result from 'one innovation but a collection of many' (Fagerjord, 2019). Since its origins, the legal streaming market

has been transformed profoundly, especially in terms of its economics, generating satisfaction, concerns and criticism (Hesmondhalgh, 2022). Indeed, the overall 'systemic changes' from which streaming derives and to which it responds are not yet fully understood and have not been addressed beyond the common individual user-centred approach (Camilleri et al., 2020; Jansson, 2021). This is particularly important as streaming currently represents the bulk of music sales and is the second largest source of revenue for the music industry (Legrand Network, 2022; Lozic et al., 2022).

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A new model for music consumption

The development of music streaming has brought transformations both in the market and the way music is used. Firstly, it led to the introduction of AI-based software for management and recommendation purposes. Although digital technologies have enhanced rather than completely eliminated human curation (Bonini, 2019), critics often point out bias and inequalities due to algorithmic opacity (Hesmondhalgh et al., 2023). Secondly, the new business model is generally subdivided into two offerings: a monthly subscription and a 'freemium' model - with free consumption but regular advertisements (Seufert, 2014). Although at first glance 'freemium' might appear to be less profitable and thus principally aimed at

attracting consumers, literature shows that it can in fact generate more revenue for streaming platforms and thus be an integral part of their business model (Thomes, 2011; Lozić et al., 2020). Last but not least, the third transformation of the market concerns the shift in competition from 'content, price and curation to the engineering of compelling experiences' (Hracs and Webster, 2020). The combination of these developments seems to have resulted in an overall increase in music consumption and new music discovery – which does not mean diversity – but with a decrease in repeat listening (Datta et al., 2017, Aguiar, 2015). Also, music streaming seemed to have played an effective role in displacing piracy (Halmenschlager et al., 2014).

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State of play and issues addressed by recent literature

Over the past three years, several studies of the music streaming market have been conducted at national and international level. These have shown growing concern about the situation of the market and its actors (Competition and Market Authority, 2022; Goldmedia GMBH, 2022; Legrand Network, 2021). The papers agree that although superficially most data show the market to be in relatively good health (with constantly growing numbers of subscribers, artists,

A. Fairness of revenues

Streaming platforms have played a significant role in the growth of music consumption over the past decade, mainly because their business model is more advantageous for consumers than the previous model whereby consumers had to buy pieces of music individually. Streaming has therefore gradually displaced CD sales in overall music revenues, driving a change in the market structure, which is today mainly digitalised. Although in the early years of streaming platforms a fall in music revenues, especially in physical sales, was observed (Wlömert and Papies, 2016), this should not be ascribed solely to the effect of streaming, as downloading also had an impact (before streaming platforms, in fact). Streaming only really became an important source of revenue from 2015 onward, i.e. nine years after Spotify had been created. The downward trend in revenue therefore has to be understood more in the context of the expansion of digital technology, which necessitated an adaptation of the market, which registered growing revenues again from 2015 (Competition and Market Authority, 2022; Legrand Network, 2021).

However, the literature shows that the inequalities of old rates of revenue sharing seem to have persisted despite the structural changes in the market. Indeed, royalty rates are now subject to individual negotiations between streaming platforms and copyright holders, such as labels and publishers (Towse,

songs and revenues), although it was not until 2021 that global revenues returned to their levels of the early 2000s. However, the studies also point out that the figures used mask a more nuanced situation characterised in particular by a decline in the overall value of products, a concentration of takings or a disruption of the market by new systems of fraud. These problems affect (a) the fairness of revenues and (b) the diversity available.

2020; Kjus, 2021). The economic power of each actor thus defines its ability to negotiate a better agreement and it is not surprising that 'majors' (e.g. the biggest record labels belonging to large international media groups such as Universal Music) have a clear advantage in the game (Mariuzzo and Ormosi, 2020). While on physical sales labels usually take 85% and publishers 15%, nowadays streaming platforms take on average 30% of the revenue, while labels take around 55% (12.7% going to the performers) and publishers 15% (9.7% going to authors – songwriters and composers). This sharing shows that labels continue to hold a dominant position (subject to even more criticism as they do not have to support physical production costs on streams) and the precariousness of the situation of music creators (Nordgård, 2017).

Another subject of debate is also the streaming platforms' remuneration policy, as they mainly use pro-rata rates – meaning that the total amount of income from advertising and subscriptions is divided between each song according to the total number of times it is streamed, a system which is considered too favourable to the most popular artists. An alternative new 'user-centred' model called user centric payment system (UCPS) has been proposed that would divide the income produced by individual users between their personal streams. Seen as fairer, this model would allow individual users to be sure to

remunerate the artists they actually listen to and it would also ensure a better sharing of the revenues between artists (Hesmondhalgh, 2020) as mainstream artists would no longer capture a share of all subscriptions, especially those from users that do not listen to them. This model is also expected to have a positive effect on the fight against streaming fraud (fake streams operated by bots to increase the number of streams for a specific artist), as computer generated streams would have less impact on the rate of remuneration (Moreau et al., 2022). A reallocation of around EUR 170 million per year in the case of Spotify is forecast (Meyn et al., 2023) if this model were to be

implemented. However, a recent study puts these figures into perspective: UCPS would allow more consistent revenue sharing across all categories of consumers but given the large number of artists, for most of them the reallocation would only increase revenues by a few euros (Deloitte and CMN, 2021). An adequate royalty rate still needs to be negotiated though – and perhaps even harmonised across all providers, whether radio or streaming platforms, for example (Gans, 2018) – and more transparency achieved in order to ensure the fragile sustainability of the sector (Arenal and al., 2022).

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B. Diversity

For many years, diversity has been a recurrent concern in cultural debates at all levels. However, defining what diversity is exactly and thus how it could be measured does not often appear to be addressed. In fact, dominant trends tend to identify diversity as variety – which in the past 20 years has shown relatively good performance and has improved – however, when looking at balance and disparity in this variety, the opposite is observed (Benhamou and Peltier, 2007). Only by keeping this in mind can the extent of positive results communicated by the industry or literature (Bello and Garcia (2021); Bourreau et al. (2022)) be fully measured. Indeed, while digital technology brought the hope of diminishing the impact of cultural regional centrality and opening up the world's market to all artists, it has since been found that it does so only to a limited extent and more likely reproduces the inequalities already existing offline (Kist and Verboord, 2018; Tofalvy and Koltai, 2021).

This can be understood on the one hand by the central role of IT-based curation and recommendation systems (needed given the huge number of artists) whose functioning still remains obscure (partly because they are a commercial product protected under intellectual property law). Those systems affect the diversity accessible to consumers but also affect creators who do not fully control the means of their communication (O'Dair and Fry, 2020; Bourreau et al., 2014; Ranaivoson, 2019). Consideration should also be given to the position and influence of the major economic actors (Wasko, 2019; Alborno, 2019) including streaming platforms whose products (as curated playlists) are massively used and preferred by consumers (Pachali and Datta, 2022, Sim et al., 2022). Finally, the introduction of EU-wide licences in the first decade of the 2000s has

also raised concerns about diversity. As, unlike the former system of 'reciprocal representation', these licenses can be contracted for specific repertoires, small repertoires are at risk of being of less economic interest than, for example, the Anglo-American repertoire (Hellenic Foundation for European and Foreign Policy, 2009). Recent literature points out that not only could providers be more inclined to stream more popular and profitable repertoires but also collective management organisations (CMOs) could then change their offer strategies in order to be more financially sustainable (Dietz, 2014; Street et al., 2016; Schroff, 2017).

Nevertheless, digital technologies offer several solutions for music creators to publish their music. Where the physical market offers little or no choice outside of recording labels, nowadays artists can choose to record and release their work through artist and label (A&L) services or fully independently (DIY - do it yourself), which gives them more artistic and financial autonomy (Competition and Market Authority, 2022) and more freedom to be present on the market. This liberty of self-production and publishing is part of the business model of streaming platforms that cut deals directly with authors in those cases (and even sometimes develop tools for them – such as Spotify's [Noteable](#)). These models are attracting more and more artists and certainly have a role in the ever-growing number of artists present on streaming platforms (Qu, 2021).

In view of the foregoing, diversity is a noble but very complex goal to achieve given the multiple parameters that impact it – putting into perspective the apparent freedom provided by digital technologies, what some call in this case the 'streaming paradox'

(Maasø, 2022) – and the still-ongoing permeability of the system to fraud such as ghost-writer schemes (including the use of artificial intelligence to mimic exciting artists) or ‘payola’/‘pay-for-play’ (although this

practice and its prohibition have been found to have an ambivalent effect on less famous artists or labels (Buccafusco and Garcia, 2022; Wilcken, 2009; Rennhoff, 2010)).

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Stakeholders' points of view

Analysing the positions of stakeholders runs into the challenge of considering different stakeholders' individual situations, as they are not all affected in the same way and sometimes defend opposing interests. Associations of authors and composers are the most active in the debate, advocating for improvements in the situation of the parties they lump together under the name of 'music creators'. These associations are calling for subscription fees to be raised to keep up with inflation, a bigger share of royalties for music creators, the adoption of UCPS and for more transparency about the deals concluded and the functioning of platforms. They are also advocating changes on other technical matters such as the removal of the '30-second

threshold' (under which a piece of music is not considered to have been listened to) and for more visibility of names of songs' authors and composers. Last but not least, they also call for strengthening of the policy framework regarding the use of AI in music creation. Recording labels or streaming platforms do not seem to deal specifically with these issues but rather tend to focus their communication on their efforts to promote diversity and tools to support artists to develop their activities (as we can see for example with Spotify's creation of [*Loud and Clear*](#) and [*Noteable*](#)). An exception to this is Deezer, which recently talked about UCPS but as a strategy for promoting a model it already uses.

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Further information

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