

The BBC's response to CMA's Music and streaming market study Statement of scope

Executive summary

- The BBC welcomes the CMA's inquiry. The UK music industry is an ecosystem with a variety of players, through which artists, performers and composers are connected with listeners and fans.
- The BBC is a key part of this ecosystem. We do not operate a streaming service. We provide audiences with audio content including through BBC Sounds, our digital audio product and brand, providing radio, podcasts and music. However there are many areas of differentiation in terms of services offered and functionality between BBC Sounds and music streamers and we would welcome clarification from the CMA that this is the case. The BBC enters into rights agreements with a wide variety of rights holders and requires music rights for all of its content (TV and audio).
- We also note that global tech companies can act as gatekeepers in music and audio, as well as competing directly with the BBC for audiences. This can mean that audiences find it harder to discover public service content in a range of environments, or to attribute it to the BBC. It also can mean that the BBC does not have access to the data it needs to deliver innovation in services, products and content.

Background on the BBC and its role in the audio industry

UK music plays a key role in showcasing the diversity of British culture to the world, and in securing the UK's global reputation as a creative nation, driving trade, exports and tourism across the UK. Together with the wider creative industries, this role will be more important than ever in the UK's post-Covid recovery.

The BBC is the UK's leading public service broadcaster and one of the most recognised British brands around the world. The BBC has, over almost a century, built up significant knowledge with regards to developing high quality and distinctive public service content and services on TV and Radio platforms. In recent decades, this knowledge has extended to digital content, including via the BBC iPlayer, BBC Sounds, BBC websites and mobile apps. The BBC's role in audio is to showcase the best UK talent; to bring world-class news and storytelling to the UK and the world; to create opportunities for new British artists; and to help fans discover new music and build relationships with those artists.

BBC radio networks are committed to developing and breaking new artists, helping audiences to discover different genres, and to bringing special live performances. Across our stations, we feature a range of documentaries, specialist shows, news programming, religious/faith content and debates, all of which form a core part of our public service offer to our listeners.

The BBC provides unparalleled support to the UK music industry and plays a key role in the UK in discovering, developing and promoting new British talent. On Radio 1, for

example, over 50% of the music played on the station is new music and over 50% of the music played comes from UK artists. Through initiatives such as BBC Introducing we showcase undiscovered artists and give them an audience through our radio networks. As of March 2020 there were over 650,000 tracks – over 3 years-worth of music - uploaded to the BBC Music Introducing website and 250,000 artists are registered. This continues to grow. The BBC broadcasts around 30,000 unsigned tracks a year.

BBC Sounds

BBC Sounds is our digital audio product and brand. It is both a website and app, which is widely available through major app stores and smart devices. It provides access to radio¹ channels, music (in the form of “Music Mixes” and other on-demand music content) and podcasts.

We note that the Statement of Scope describes BBC Sounds as an ‘audio streaming and download service’, however we do not agree with this characterisation, in particular as it is not a music streaming service. There are many areas of differentiation in terms of services offered and functionality. For example, it provides access to the BBC 10 national radio services as well as its 40+ local services for the Nations and Regions of the UK (including indigenous language stations) both live and catch-up -an equivalent offer to that provided via DAB, FM, and elsewhere. In addition, most streaming services use automated algorithms to drive their curation and playlisting however BBC Sounds’ Music Mixes provide a distinctive human curated music offer - they offer blocks of themed listening to our users such as *Gameplay with Baby Queen – orchestral beats to help you focus* or *TV Soundtracks*. In Sounds, individual tracks cannot be searched.

Consultation questions

1. What have been the main changes in the music industry as part of the shift to music streaming? / 4. Are there areas within the stated scope of the market study that the CMA should particularly focus on, or any important areas it has missed?

The CMA has rightly raised the potential for harms to competition arising from the structure of the music streaming sector. However, the CMA should not be overly narrow in its focus as there are a number of issues affecting the future development of the audio sector that go beyond music streaming.

Smart speakers and in-car infotainment systems are playing an increasing role in how consumers access and discover audio content meaning that third party providers including the BBC and the commercial radio groups will increasingly be intermediated in their relationship with the listener. These platforms are often owned and operated by global tech companies with vertically integrated business models. We have concerns that vertical integration leads to self-preferencing of platform owned services and content where these compete directly with the BBC and other third party providers. This will make it harder for audiences to discover a wide range of content, encounter new

¹ an equivalent offer to that provided via DAB, FM, smart speakers and elsewhere

talent, and broaden their listening horizons. This will in turn make it more difficult for new and less mainstream artists to break through and find the audiences they need to fund their creativity. If new artists are unable to make a living, acts will exit or be discouraged from entering the industry and overall availability of services and content could be lessened. There are significant challenges and work to be done to secure prominence and ensure discoverability of BBC products as part of a diverse sector, including smart speakers and in-car infotainment systems.

The vertical integration of eco-system providers also gives them access to a significant advantage through their ability to collect and analyse data, not only just on the performance of their own services but of competitors as well. Given their growing importance in the distribution of audio content, particularly in-car and through smart-speakers, the BBC and others often have limited choice about being available on these platforms if they want to reach audiences. This tips the bargaining power in favour of ecosystem providers when negotiating distribution agreements, limiting the ability of third parties to negotiate better terms including data access.

In addition to the issues raised about gatekeeper platforms, we have observed that 'digital rights' i.e. the rights to use music on digital services, have increasingly been separated out as a separate category of rights in our negotiations with music rights holders).

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