

MUSIC CREATORS AND CONSUMERS

Music and streaming market study – Statement of scope

Summary of music creator responses

We received over 50 responses to the Statement of Scope consultation from individual music creators. These responses came from a range of creators – including artists, musicians and songwriters – from different genres and at different stages of their careers. This document summarises the key themes covered by the responses.

Remuneration for creators

Most responses raised concerns about the low levels of royalties that creators receive when their music is streamed. Poor overall revenue outcomes for individual creators were contrasted with the growth in total streaming revenues. Some responses claimed major tech firms are making high profits at the expense of small creators. Despite concerns about remuneration, some creators recognised that streaming services have helped them reach new audiences across the world and had benefitted their careers.

Some respondents suggested that music pricing is now dictated primarily by broader competition between ‘big tech’ platform companies that goes beyond music streaming services. It was noted that even fully independent musicians, who control all their own rights and do not use record labels, have no price setting power in relation to streaming services. Creators told us that they felt they have no choice over whether to offer their music on the main streaming services, given this is the dominant means of reaching listeners.

Some classical music artists felt their earnings had been particularly eroded by the growth of streaming.

Many respondents called for creators to be compensated fairly and some suggested that regulatory intervention may be needed to achieve this (for example, one respondent proposed a minimum streaming return for the artist per play).

Some people question the sustainability of the music industry business model from the perspective of creators and predicted this could impair creativity and diversity. CMA was therefore urged to focus the market study on outcomes for creators – in addition to consumers – of music services.

Competition between music streaming services

While some creators noted the possible benefits of streaming services, there were questions about how playlists are put together. Some creators reported difficulties in getting on playlists, particularly if the artist does not fit neatly into genre ‘boxes’.

Respondents questioned whether the use of algorithms to determine playlists was clear and suggested it stifled the diversity of music available. Questions were also raised about whether major labels influence playlists.

Other issues raised regarding music streaming providers included:

- Delays and difficulties in receiving payments for streams, particularly from user-uploaded content services;
- Lack of transparency regarding the numbers of plays / payments from some streaming services; and
- Poor complaints-handling / communications of some streaming services.

While it was recognised that the pricing of streaming services to consumers is low, it was argued that low prices today could reduce the range and quality of music on offer tomorrow.

Competition between music companies

A number of respondents claimed that music companies – particularly the major record labels – are profiting at the expense of creators. There were claims that music companies are focusing on exploiting ‘catalogue music’ and are not supporting new creativity. Many creators suggested they were in a weak bargaining position relative to music companies and have no control over their income.

Some respondents that have been creating music for many years questioned the fairness of major and indie labels continuing to apply historic contract terms, which were agreed before streaming services were established.

Given the changes in the industry, some respondents assume the recording industry has been relieved of substantial pressing and distribution costs for physical formats, which causes them to question why creators are not earning more from streaming.

There were also calls for the study to look at:

- how marketing and advertising deals between major record labels and streaming services impact on the payments made to creators
- the relationship between the major music groups and publishing companies, and how this impacts the willingness to negotiate best possible deals for songwriters and composers.

Some creators said they are bypassing big labels and using cheaper digital distributor companies to access streaming providers, yet it can still be hard for a creator to get the necessary profile on streaming services. Concerns were also raised about the lack of transparency regarding distributor / streaming service negotiations and the barriers that prevent creators from dealing directly with streaming services.

Collective management companies and copyright

A few individuals raised issues regarding collective management organisations such as the Performing Right Society (PRS) and the Mechanical-Copyright Protection Society (MCPS). For example, responses stated:

- The system is 'antiquated' and should be audited
- The approach to CD royalties is unofficial 'interest free borrowing' of composers' money
- Some singers fail to give credit / pay for songs written by others - the issue should be tackled better
- CMA should consider the impact of royalty chains and the handling of 'unallocated royalties' on songwriter income.

Summary of consumer responses

We received a number of responses to the Statement of Scope consultation from individual consumers. This note summarises the key themes covered by the responses.

Concern was expressed that although music labels compete with each other at the stage of talent acquisition, once they own a copyright, they have a monopoly as far as a consumer who wishes to buy or rent a particular song is concerned. There were also allegations of financial incentives being exchanged between music streaming services and the major music labels.

There was a suggestion that majors are favoured over independent labels on playlists and that fans should be aware the majority of their subscription fee does not go to creators.

The CMA was asked to investigate the collective management organisations Phonographic Performance Limited (PPL) and PRS. The view was expressed that they have a monopoly over music licensing laws and that despite being limited companies they act as governing bodies.