



THE DIGITAL ENTERTAINMENT
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2 August 2022

Dear Ms Cardell,

Re: CMA Market Study Music Streaming

I am writing in response to the CMA's interim report on its market study into music streaming on behalf of ERA, the Digital Entertainment and Retail Association, whose members include virtually all of the music streaming services operating in the UK.

As you may have read from our public statement (attached), we have broadly welcomed the report.

We believe the benefits delivered by streaming services— unparalleled choice, innovative new offerings, convenience and utility to the consumer at an affordable price combined with an unprecedented inflow of revenue to the UK music industry – are now widely accepted on all sides, not least by your own report.

Furthermore, complimentary ad-funded platforms monetise users unable or unwilling to purchase subscriptions as well as acting as a funnel for new subscribers.

ERA forecasts, as well of those of respected third parties, suggest, the cash benefit of streaming to the UK music industry will increase by between 70% and 100% by the end of the decade.

Music streaming is a success story which should not be jeopardised.

That does not mean there are not issues to be solved. As noted in your report, the benefits of the streaming revolution have not been shared equally. Only a small group of industry players are earning sustained profits from music streaming. The economics of running a streaming service for existing music streaming services and new entrants remain challenging when around 70% of revenues flow directly to the music industry and music services have to constantly invest in innovative new offerings to attract and retain subscribers and users. Meanwhile as evidenced by the reaction of some artist and songwriter representatives to your report, many musicians feel music's digital revolution has yet to work for them.

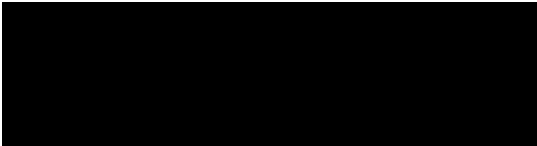
That is why regardless of the CMA's conclusions about the market, ERA's members remain committed to finding solutions which ensure streaming works for all participants in the market.

While there is little we can do to influence the division of the approximate 70% of streaming revenues which go direct to the music industry, on issues of data – especially data quality which remains poor in many areas – transparency and distribution methodologies (the “user centric” debate), we will continue to be active participants in the process initiated by the IPO.

ERA's members are justifiably proud of what they have achieved against a financially challenging backdrop and an entrenched and often imbalanced licensing situation. Without ERA members we would be likely looking at a much poorer and smaller UK music industry. But we recognise that there are issues and we are determined to continue to be a part of the solution.

If there is anything we can do to assist your further enquiries, please do not hesitate to get in touch.

Yours sincerely



Kim Bayley
Chief Executive



ERA STATEMENT ON THE COMPETITION AND MARKETS AUTHORITY MARKET STUDY INTO MUSIC STREAMING

26th July 2022 - The Digital Entertainment and Retail Association, ERA, welcomes the update paper of the Competition and Markets Authority (CMA) on its market study into music and streaming.

The report vindicates ERA's view that the investment and innovation of music streaming platforms has been overwhelmingly positive for consumers as well as for the music industry.

Thanks to streaming services, consumers have greater access to a greater variety of music than ever before and an array of price and service propositions.

Meanwhile for the recorded music industry, streaming services have rescued a sector that had been shrinking rapidly due to piracy and have delivered over £5 billion of new revenue in the UK alone.

Recent forecasts from Goldman Sachs and the consultancy Midia suggest that UK streaming revenues will grow by a further 70%-100% by 2030 with the vast majority of that digital dividend flowing to the music industry.

ERA and its members will continue to assist the CMA in its enquiries ahead of the publication of its final report in January 2023. Meanwhile ERA welcomes the progress which has already been made in the parallel process initiated by the DCMS and the Intellectual Property Office and pledges its commitment to do what it can to improve transparency, data standards and data quality to speed the flow of money to artists and songwriters.

ERA CEO Kim Bayley said, "The transformation and return to health of the music industry through streaming is an incredible success story, driven by the innovation and investment of streaming platforms. We need to continue to build on that success and ensure that the market works for everyone involved."

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About ERA

ERA is the trade body representing digital services and retailers offering music, video and games. Our members include Spotify, YouTube, Soundcloud, Amazon, Sky, Deezer, Sky and Virgin, together with physical retailers including HMV, Game, Tesco, Asda and Morrisons, and hundreds of independent record shops.

ERA's members have been a driving force in using the power of technology to transform the entertainment business and return it to growth, with around 90% of revenues now generated online. At the same time our physical retail members have driven the unexpected revival of vinyl records, now in their 14th consecutive year of growth.

Working closely with sister organisations representing music, video and games companies, ERA is a strong proponent of open markets, open standards and consumer choice.

Our members supply the sales data which powers the Official Charts Company (music and video charts) and GfK Chart-Track (videogames). Together with record companies trade association the BPI, we own the Official Charts Company.

ERA provides the organisational force behind Record Store Day, the annual celebration of independent record stores which has become the most successful new music industry promotion of the past two decades.