

Independent music squashed out of streaming playlists and revenue

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Bands and artists on independent record labels get less than their fair share of access to the most popular playlists on streaming platforms such as Spotify—argues a new paper from the University of East Anglia.

The paper, published today, looks at whether streaming platforms offer a level playing field for artists and [record labels](#).

It finds that major labels have an unfair advantage when it comes to [playlist](#) access—and that they take the lion's share of subscription revenue as a result.

As a possible remedy, the research team suggests changing the [payment system](#), so that royalties generated by individual listener subscriptions go direct to the labels, bands and artists they are listening to.

They also recommend more transparency in how playlists are created and how the algorithms behind music recommendations work.

Finally, they recommend [greater transparency](#) about contracts and say that major labels with financial stakes in streaming platforms should be forced to divest.

Not overhauling the system, they say, is likely stifle innovation and creativity in the long run—which will in turn impact both the industry and consumers.

Prof Peter Ormosi, from UEA's Norwich Business School and Centre for Competition Policy, said: "Music streaming has become the most important route to market recorded music, and this position is likely to strengthen in future.

"Music streaming platforms like Spotify pay the labels royalties that are calculated on a pro rata basis, as a proportion of the revenues associated with the streams of their content.

"We wanted to see how streaming platforms support or distort fair competition between different types of recorded music and their

creators—whether they offer a level playing field for artists and labels.

"A level playing field is important not only for artists but also, over the longer term, for consumers. If competition is distorted it risks inhibiting innovation, variety and the prospects of upcoming and more niche artists.

"Creativity and innovation are vital for the music industry—if streaming platforms stifle this, it will be bad for the whole industry and consumers in the long run."

The team studied in detail how streaming platforms such as Spotify and Apple Music operate—including how streaming revenues are split between major and independent labels and artists, the role of playlists, and how some major labels also hold shares in streaming platforms.

Co-author Prof Amelia Fletcher, also from UEA's Norwich Business School and Centre for Competition Policy, said: "Playlists on music streaming platforms play a central role in disseminating music to consumers. As such, it is important for ensuring fair competition that independent artists have fair access to playlists.

"But our research suggests that independent [label](#) artists are getting less than their fair share of access to the most popular playlists.

"While the vast majority of playlists are curated by Spotify, the shares of the major labels' own proprietary playlists may exacerbate the situation.

"This disproportionately lesser access is likely to have a direct impact on revenues for independent labels and their artists as well as an indirect impact on the sustainability of this important segment of the market in the future.

Co-author Daniel Antal, founder of Reprex, a big data startup focusing on the [music](#) industry, said: "The impact of playlists on royalty payments is likely to be accentuated under a pro-rata royalty allocation system.

"We recommend that the payment system should be reformed by moving from the pro-rata payment system to a user-centric remuneration, where the royalties generated by an individual user's subscription is simply split between what they choose to listen to.

"We would also encourage greater transparency of contracts, once they are agreed, to help ensure fair treatment, or alternatively that competition authorities should allow industry-wide negotiation by labels, as is already carried out for performance and mechanical royalties on the composition side of the split.

"Finally, we note that some of the majors have residual equity stakes in Spotify. For example Universal holds a 3.5 percent stake and Sony Music a 2.9 percent stake, in Spotify. And Deezer is part-owned by Access Industries which in turn owns Warner Music Group.

"Requiring divestment of such stakes could also be helpful in ensuring that streaming platforms have the right incentives to ensure a level playing field."

"Music streaming: is it a level playing field?" is published in the journal *Competition Policy International*.

More information: Daniel Antal et al, "Music streaming: is it a level playing field?", *Competition Policy International*. , [www.competitionpolicyinternati ... level-playing-field/](http://www.competitionpolicyinternati...level-playing-field/)

Provided by University of East Anglia

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