

USE OF CULTURAL CONTENT ONLINE

From transfer of value to a fair ecosystem

what's
changed

what it
means



the
problem

the
solution

Platform services dominate the online market for cultural and creative works

- Platform services are primarily built on user uploaded content or the aggregation of existing content. Far too often, they provide little or no return to the creators of the works.
- This has generated a 'transfer of value', as the value of cultural and creative works is now retained by the platform services instead of going to the creators.
- Transfer of value has created an inefficient and unfair market and threatens the long term health of the EU's cultural and creative sectors and the success of the Digital Single Market.

what's
changed

The transformation of access to creative works

Cultural content is a key driver of the online market. With the market growth and development over the last 10 years, an increasing division in the types of services which provide user access to content has appeared:

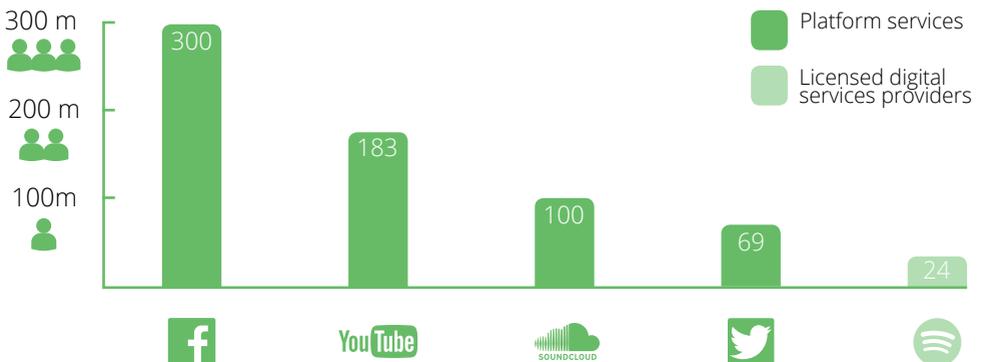
licensed digital content providers, such as Spotify, Deezer, Netflix or iTunes, which license their content from rights holders.

VS

platform services such as YouTube, TuneIn, Dailymotion and Facebook which provide access to aggregated or user uploaded content.

Platform services are the dominant players in the online market.

Active monthly European users in 2014, in millions



* Source: Cultural Content in the Online Environment: Analyzing the Value Transfer in Europe, Roland Berger 2015

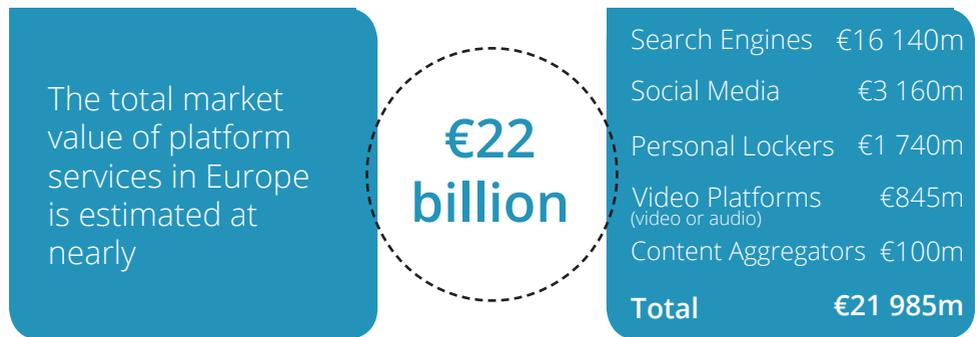
what it
means

Cultural content is key to platform services

The influence and dominance of these platform services has enabled them to become the primary portal through which users access online content.

Their business models are often based on keeping users inside their online ecosystem for as long as possible: The ability to discover, share and access cultural content is inherent to attracting and retaining consumers.

The economic weight of platforms is significant



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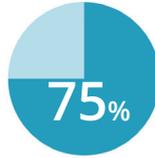
On average, **23%** of this value is directly related to the use of cultural content.*

The value **directly** related to the use of cultural content sometimes reaches impressive proportions:

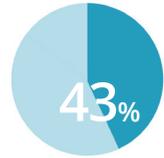
in Europe, in 2014



Video Platforms

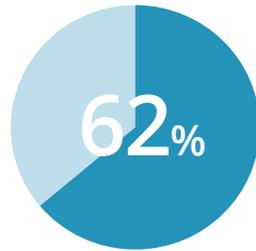


Content Aggregators



Social Media *

The total share of **direct and indirect** value of cultural content for these platform services' revenues amounts to:



Using cultural content enables these platform services to increase their dominance and popularity.

This leads to high market valuation even when the actual revenues are not high.

	Global revenues	Increase	Enterprise value
	\$ 12.5 bn	x17.2	\$ 214 bn
	\$ 1.4 bn	x16	\$ 22 bn
	\$ 0.01 bn	x5.6	\$ 0.08 bn
	\$ 66 bn	x4.7	\$ 308 bn
	\$ 0.08 bn	x3.9	\$ 0.3 bn

rounded figures; in USD

* Source: Cultural Content in the Online Environment: Analyzing the Value Transfer in Europe, Roland Berger 2015

the
problem

Cultural content is undervalued, if valued at all

Many platform services attract users and derive economic value from providing access to cultural content, often including its organisation, aggregation and recommendation. In doing so, they directly compete with licensed content providers for the same users and revenues.

However, unlike licensed services, platform services either do not pay or underpay the creators for the works on which they rely.

This double standard stems from an ambiguity in the application of the e-commerce Directive's safe harbour provisions on copyright relevant acts of platform services. This is an application that goes beyond the scope originally envisaged by legislators.

As a result, platform services claim to be mere technical intermediaries and are thus not required to remunerate content creators.

This undermines the efficiency of the market, distorts competition and drives down the overall value of cultural content online.

Transfer of value results in

- No or very low remuneration for creators for the biggest usage of content on Internet
- An unfair disadvantage for legitimate businesses
- Limiting consumer choice for new and innovative services that remunerate creators fairly

The answer is in the copyright review

Clarifying safe harbour on copyright

The 2001 InfoSoc Directive should be amended to clarify that:

platform services that take part in making cultural content available to the public cannot invoke the e-commerce Directive safe harbour provisions for their copyright related activities.

Address this and everyone benefits

- **Creators** will get a share of the revenues that their content generates
- **Digital service providers and start-ups** will finally have access to a level playing field
- **Fans and users** will benefit from the innovation which fairer online markets can offer and know that their favourite creators are fairly remunerated

Europe needs to safeguard the vibrant ecosystem of cultural and creative industries which is currently thriving with its **7 million jobs** and **4.2% of EU GDP**.*



GESAC groups 34 of the largest authors' societies in the European Union, Iceland, Norway and Switzerland. It represents about 1 million creators and rights holders in the areas of music, audiovisual works, visual arts, and literary and dramatic works.

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Studies quoted in this document :
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