

# Study on the place and role of authors and composers in the European music streaming market

Prepared by:



Commissioned by:



## Frequently Asked Questions

### 1. Why a new study? When will it be published?

Music streaming has unquestionably become the predominant means of enjoying music, replacing traditional physical media and expanded far beyond the live sector by providing user-friendly, high quality, and affordable access to the largest possible repertoire anytime, anywhere, online, or offline.

Songs and compositions are at the heart of this thriving market, which counts 524 million users on subscription-based music services globally, reaches more than 2 billion users including the streaming on UGC platforms, and offers more than 70 million tracks from approximately 8 million artists.

Yet, the authors and composers cannot benefit adequately from this success, and

the debate over unfairness of this market is gaining traction across Europe and around the world.

There is a need to look more closely at how songwriters and composers are connected to this thriving economy and what can be done to improve their currently neglected situation. GESAC therefore commissioned this study to reflect on the value of creators and their societies for the streaming economy, as well as to shed a light on their concerns, needs, and expectations from this market.

The study will be released on September 28th and will be presented to the press at 9h from the Brussels Press Club for online and in-person participation.

### 2. Who prepared the study?

Emmanuel Legrand of Legrand Network prepared the study based on his more than 30 years of experience in this field and world-renowned expertise. E. Legrand is a journalist and media consultant who specialises in the

entertainment industry and cultural trends. He is a former US editor for the British music industry trade publication Music Week and a former global editor of the US trade publication Billboard.

### 3. What is the study's methodology?

This report is based on a series of interviews with various stakeholders — songwriters, collective management organisations, music publishers, data specialists, streaming services, among others — based on an in-depth questionnaire.

The interviews were used to help inform the main points raised by this report and highlight the situation of songwriters and composers with regards to music streaming services. Some of the people interviewed have agreed to be quoted in this report.

The report has also tapped into a trove of existing reports such as Chris Cooke's 'Dissecting the Digital Dollar', the report

from the UK's DCMS, Will Page's book 'Tarzaneconomics', companies' annual reports, as well as data and analysis from MIDiA Research, and datasets from CMOs. The report also benefited from informal discussions with a wide range of stakeholders, and from multiple articles from such platforms as Creative Industries News, Music Business Worldwide, Music & Copyright, Variety, Billboard, CMU, Music Week, Fortune, Forbes, JD Supra, to name but a few.

The views expressed in this report are from its writer Emmanuel Legrand from Legrand Network.

### 4. How does this study contribute to the ongoing debate on music streaming?

The debate on streaming market has escalated even more with the acceleration of the market's digital transformation and the continued growth of streaming usages as the primary mode of exploitation due to long confinement periods in recent years as a result of the health crisis.

The majority of the debate has so far concentrated on certain aspects of the market, such as the revenue split between the labels and performers or the distribution models of generated revenue through user-centric or other types of models. While these are undoubtedly important, GESAC

believes that a broader examination of the market is required, including consideration of how to increase the revenue pie for all parties involved, as well as understanding of the needs and expectations of authors, composers, music publishers, and their societies, who are behind the very songs that fuel the streaming economy.

GESAC commissioned this study with the goal of identifying bottlenecks that prevent a more meaningful market growth for all rightholders, understanding the value of composers and songwriters, and reflecting on their needs, concerns and expectations.

### 5. What is the value of authors and composers in the music streaming market?

Music starts with creation, and authors and composers are the ones who are at the origin of all songs and musical tracks

that keep people engaged, passionate, and connected on those services wherever they are and whenever they want.

With an increasing number of songs and songwriters attracting and engaging people on platforms, the streaming economy is a song economy, and authors and composers are at the source of creating this value.

However, their contribution to the streaming ecosystem is currently undervalued at all levels.

First, they are not sufficiently recognised. As for example, people should be able to find out more about the writer of the songs they like, search for other works written/composed by the same author, and discover

their yet unknown favourite songwriters and composers, which is not always possible at the moment.

Better recognition of this value, as well as proper identification and attribution of all songwriters and composers by services and dedicated tools for their better exposure, would result in greater cultural diversity, more options for consumers and more vibrant music economy.

Moreover, authors and composers should benefit more favourably from the resulting success of this growing streaming market.

## 6. What is the input of CMOs in this market?

“If songs are the currency, licensing is what brings fluidity into the eco-system” says the study. Authors’ societies (collective management organisations, CMOs) are natural partners of streaming services because they provide streamlined rights clearance to broad repertoires and are the source of creator information. CMOs serve as a vital link between authors, composers and publishers on the one hand, and music rights licensees on the other. They have played a key role in the expansion of streaming services, allowing the latter to start and scale-up their businesses.

Because of their relations with CMOs from

their very early stage, services can now provide access to a massive catalogue in a smooth and user-friendly manner.

CMOs are non-profit organisations run by authors, composers, and publishers to ensure the best value for the use of creative works and to effectively administer the collection and distribution of the royalties deriving from such usages. Because of the wide catalogues of all music genres they represent and manage on an equal basis, they play a key role in ensuring cultural diversity. With their dedicated funds and schemes, CMOs also provide support for new creation.

## 7. What are the main problems identified in the study?

Aside from the exponential growth of the user base and popularity, the music streaming market is constantly evolving in various aspects and dimensions, such as the quality (higher resolution sound, user-friendliness, constant connectivity, etc.) and quantity of the offer.

However, the total revenue generated by this successful market is far from being sufficient to be a viable source of income for composers and songwriters.

The study identifies three main concerns of creators regarding the current operation of streaming market that leads to this unacceptable result:

- **an asymmetry** between streaming services' business strategies and authors' and composers' aspirations to ensure the value of their creation and grow the overall revenue pie;
- **some structural dysfunctions** of services that force creators to accept lower or no revenues and/or manipulate the sharing of revenue pot, as well as **inequalities** that lead to success of a few at the expense of cultural diversity and niche repertoires;
- **the systemic imbalance in revenue allocation** between stakeholders, in which authors benefit the least from the market's success, despite their enormous value and contribution to it.

## 8. What are the streaming services' business choices that are problematic from the creators' perspective?

Most streaming services' primary goal is to increase their user-base, and in certain cases, to sell other services or devices related to their music offering (e.g., Apple audio equipment, Amazon Prime account, or home assistance devices). This is typically done through business decisions that do not allow for ensuring the value of creation and generating adequate revenue for authors and composers, despite their growing user-base.

Firstly, main streaming services offer very extended and appealing free ad-supported tiers, which are still the preferred choice for most consumers due to their convenience. However, the revenues generated by those versions are substantially lower than those generated by paid subscriptions (e.g., around

x10 less than individual subscription).

When it comes to paid subscriptions, the initial individual subscription fee of 9.99 (in Euros, US dollars, or British pound) set in 2006, has never been increased, despite constant growth in the quality of the offer, quantity of available songs, and user-friendliness of music streaming services. Adding to this the shrinkage of ARPU (average money paid by each user) through several promotional and family plans, as well as inflation in time, the value of a subscription per user has decreased significantly over the last 15 years.

The result is an overall decrease in value of music, making it difficult to grow the revenue pie, which is one of the primary requests of authors and composers.

## 9. What does the study say on the share of the value between rightholders?

The study refers to several sources indicating that the growth of music streaming services has boosted the music industry, but it has primarily benefited the recorded music side rather than the authors and composers of songs.

According to recent UK parliamentary committee report, the revenue split from streaming is currently skewed in favour

of the owners of sound recording rights: Current split of the digital pie suggests that 30/34% of the price paid by subscribers are kept by the streaming service, out of the remaining 70%, 55% go to the labels and performers, 15% to the songwriters and music publishers. The said report provides several economic and structural reasons for that.

The study advocates for a better sharing of the value generated by streaming economy between all stakeholders and considers that after addressing the need to grow the overall revenue pie as well as the systemic

imbalances and dysfunctions in the operation of online platforms, authors and composers should benefit more favourably from the resulting success of this growing market.

## 10. What are the other operational issues and dysfunctions that the study refers to?

According to the study, the current hit-driven music streaming market has resulted in a pyramid system, in which a small number of songs capture a large portion of the listenership. In March 2021, for instance, 57 000 artists accounted for 90% of monthly Spotify streams. According to the 2022 numbers, 93% of Spotify artists have fewer than 1000 monthly listeners. The use of algorithms, as well as bottleneck represented by the most popular playlists, exacerbates this.

Furthermore, long-standing flaws in the operations of music streaming platforms, such as “streaming fraud”, “ghost writers”, “payola schemes”, “royalty free content” and other coercive practices worsen the impact on many professional creators.

The massive availability of content is overshadowed by the fact that these services have no positive obligations to ensure the visibility and discoverability of more diverse repertoires, particularly European works.

## 11. What suggestions does the study make?

As the study refers to a combination of several issues and bottlenecks that prevent a more viable music streaming market for authors and composers, the way forward it suggests also involve a number of different actions. These actions would in some cases necessitate industry cooperation, and/or increased responsibility on the side of streaming services and increased consumer awareness, and, in specific cases, policy actions and/or proper implementation of recently adopted laws at EU level.

For instance, the study suggests better recognition of the value of authors and their societies to the success of the music streaming market, which would involve, on the one hand, actions from music streaming services to develop tools for more visibility

and better discoverability of authors and composers by their consumers, and, on the other hand, policy considerations at the EU level to ensure algorithmic transparency of the services and to develop indicators to monitor and measure diversity, in particular the prominence of European works. In terms of increasing rightholders’ revenues and creators’ remuneration, the study aims to raise more awareness of the shortcomings of the current music streaming business model, both among services and their consumers, in order to call for more responsible actions from the services in the future. This would include, in particular, actions to motivate consumers to switch to paid subscriptions, as well as more realistic and variable pricing models for subscription services in order to grow the revenue pie.

The study also urges the Commission and the Member States to rapidly and effectively implement the already adopted laws that should oblige the online content-sharing service platforms (OCSSPs) to properly remunerate creators, requiring all services to accurately report their usages, and ensuring creators' appropriate and proportionate remuneration, which would lead to a healthier and more sustainable market. The study anticipates that once the market begins to grow its revenue pie, authors and composers' remuneration should also evolve in a fairer way.

The study provides valuable insight into creators' concerns and expectations for the European and national policy makers working on re-balancing the creators' interests against the major digital services operating in the European Digital Single Market. The study brings a new perspective to the debate and provides a constructive approach towards a more balanced, sustainable, and author-centric music streaming ecosystem.

## 12. What else does the study recommend?

The study suggests to put strong obligation on streaming services to report properly and accurately, in order to capture all usages of the works on their platforms/services and allow for ensuring proper remuneration of creators.

The study also advises the creators to remain involved in the debates affecting their professional careers and recommends awareness-raising projects and initiatives among creators and rightholders on the

importance of data. These would ensure that creators first register their works with their CMOs and obtain relevant metadata before using them on online platforms.

The study also underlines that joining a CMO is one of the most important career decisions for composers and songwriters, owing to the indispensable role played by the CMOs for appropriate remuneration of authors and proper administrations of their rights.



GESAC groups 32 authors' societies in the European Union, Iceland, Norway, and Switzerland. As such, we defend and promote the rights of more than 1 million creators and rights holders in the areas of music, audiovisual works, visual arts, and literary and dramatic works.



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