

Global watch on culture and digital trade

GLOBAL ONLINE PLATFORMS, THE WINNING ACTORS OF THE GREAT LOCKDOWN? THE CASE OF THE MUSIC INDUSTRY

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The great lockdown due to the COVID-19 global pandemic has a major impact on the functioning of cultural markets, the global flows of digital cultural content, as well as the public cultural action. Following the May issue focused on the place of online platforms in the audiovisual ecosystems, the June issue seeks to analyse the effects of the great lockdown on the strategies of global online platforms in the music industry.

Interestingly, the COVID-19 global pandemic could consolidate the underlying trend in the global music industry, based on streaming as the dominant revenue format. This current issue aims to explore whether the great lockdown could strengthen the material and symbolic resources of some online platforms and give them an economic and technological advantage in order to reinforce their leading position in the global trade of digital cultural content. Put differently, this issue analyses whether some global online platforms, such as Spotify, Apple Music, YouTube Music, are the winning actors of the great lockdown, becoming irreplaceable actors for culture professionals and public authorities.

Music streaming and COVID-19: an ephemeral disruption?

Clearly, the global pandemic of the COVID-19 represents a disruptive factor for the music industry and the involved online platforms.



Even though the great lockdown could mean that people are sitting inside streaming music, at the beginning of the adoption of lockdown measures, online platforms saw a decline in daily service users and consumption in streaming music. In the first weeks of March 2020, the number of total on-demand streams in the United States dropped by more than 10%. Streaming decreased for three consecutive weeks in a row: first by 2%, then by 8.8%, followed by 3.2%. The data include streams of all major streaming providers, including Spotify, Apple Music, and Pandora.

In addition, monthly active users (MAUs) at Pandora, a music streaming platform operating only in the US, were 60.9 million in the first quarter 2020, down from 66 million in the prior year period. Likewise, in Italy, when the prime minister announced a national lockdown on March 9th, there was a 23% drop in the top 200 most streamed songs on Spotify on March 17th compared to March 3rd.

There are two key reasons explaining this trend: first, a key share of music streaming takes place during commutes and, due to the great lockdown, consumers are using their commute listening time for other activities; second, the majority of stores, coffee shops and restaurants that usually stream music were closed during the lockdown period. According to the Swedish music-streaming platform Spotify, “in late February, in hard hit markets like Italy and Spain, we saw a notable decline in daily active users and consumption”.

Spotify, an overwhelming player ...

Despite initial concerns by the most powerful global music streaming subscription service, Spotify has reached 130 million paid subscribers in the first quarter (Q1) of 2020. It gained 6 million subscribers in the Q1 of 2020, up 31% and ahead of initial forecast. This important performance is strongly linked to Spotify Kids, a stand-alone app designed for children three years and older. Spotify Kids launched in eight more markets during the first quarter – Australia, the United Kingdom (UK), Mexico, Brazil, Argentina in February and mid-March, and the US, Canada and France toward the end of the quarter.



Moreover, total Spotify MAUs grew 31% to 286 million. Q1 2020 was the third consecutive quarter of year on year growth above 30%. Latin America and Rest of World regions continue to see the fastest growth, with those segments growing 36% and 65% respectively. They represent 39% of total MAUs. Today, Spotify is available in 79 countries across the globe: 51 countries in Europe and in the Americas and 28 countries in Africa and Asia-Pacific. Notably, Spotify is not available in China, Russia and in several countries in the Caribbean and Sub-Saharan Africa.

Besides, in April 2020, Spotify introduced a new feature allowing artists to receive cash from fans or donate money to charity. On March 25, Spotify also launched the Spotify COVID-19 Music Relief project. In this framework, Spotify partnered with organizations, which offer financial relief to music and creator community around the world. The total Spotify contribution is of 10 million USD. Note too that in March 2020, an online petition has been set up by musician Evan Greer asking Spotify to triple their royalty payments following the large loss of earnings due to the COVID-19 pandemic.

... facing global and regional challengers

For its part, Apple does not regularly disclose Apple Music subscriptions. According to estimates, Apple Music reached around 65-70 million subscribers at the end of 2019, compared to around 20 million for YouTube Premium and Music. Moreover, in April 2020, Apple made Apple Music available in 52 additional countries - notably in Africa, Latin America and the Caribbean, offering a six-month free-trial of the service.

Apple Music, previously available in 13 African countries, including Nigeria, Ghana, Kenya and South Africa, will now be accessible in 17 additional African countries. Clearly, “despite the limitations of Internet access and costs, there’s growing evidence that more users across the continent are embracing digital services”.



Instead, so far Africa has received little attention from Spotify, which is only available in five countries: South Africa, Tunisia, Morocco, Algeria, and Egypt. Boomplay, a Chinese-backed, Lagos-based streaming platform, is today one of the largest streaming music services in Africa, reaching more than 60 million users.

Pursuing digital revenues globally, Apple Music is available in 167 countries and regions all over the world, while YouTube Music is available in 78 countries. Besides, even though during the lockdown period, there are no concrete data about YouTube Music, according to Alphabet's Q1 2020 Results, "business, led by Search, YouTube and Cloud drove Alphabet revenues to 41.2 billion USD up 13% versus last year". It is revealing that during the Q1 2020, YouTube advertising revenues have been raised from 3.02 billion USD to 4.03 billion USD, up 25% versus the same quarter last year. In addition, Google other revenues - including hardware, Play Store and non-advertising YouTube revenues (such as subscriptions from YouTube Music) - were 4.44 billion USD, compared to 3.62 billion USD last year. In this view, YouTube contributes more than 10% to the Alphabet's overall revenue, showing how vital the video platform has become for Google. In 2019, on an annual basis, YouTube, a Google-owned platform since 2006, generated 15.15 billion USD.

Streaming, dominant revenue format

According to the annual Global Music Report, released by the International Federation of the Phonographic Industry (IFPI), in 2019, total revenues for the recorded music market grew by 8.2% to 20.2 billion USD. 2019 represents the fifth consecutive year of growth, driven by a strong and steady increase in paid streaming services. In 2019, streaming revenue - the dominant revenue format globally - grew by 22.9% to 11.4 billion USD, compared to 0.3 billion USD in 2008 (see Table 1). For the first time, it accounts for more than half (56.1%) of global recorded music revenue. On the contrary, excluding streaming, digital revenues, such as download revenues, saw a drop of 15.3% to 1.5 billion USD in 2019; physical revenues also declined globally (-5.3%) to 4.4 billion USD and now account for around a fifth of the overall market (21.6%).

Global music revenues come as well from both performance rights – use of recorded music by broadcasters and public venues –, which saw a decline of 3.6% in 2019 and from synchronisation – the revenue from the use of music in advertising, film, games and TV –, which posted growth of 5.8%. Among different regions, Latin America and the Caribbean, driven by strong gains in digital, recorded the highest rate of growth, increasing by 18.9% up, followed by the US and Canada growing by 10.4% in 2019. Note too that the US and Canada remain the largest region for recorded music revenues, accounting for 39.1% of the global market.

Interestingly, due to the global pandemic of COVID-19, revenues from physical sales and public venues could see a major drop in 2020. It is revealing that during the week of March 13 to March 19, physical album sales in the US dropped by 27.6%. In addition, it is worth noting that the Global Music Report includes only recorded music revenues. Live music makes up also an important part of total revenues for the global music industry, deriving mainly from sales of tickets to live performances and sponsorships. In 2018, worldwide live music revenues amounted more than 25 billion USD. Due to the COVID-19 global pandemic, in 2020 the music sector will see a brutal plunge in live music revenue.

Revenues (in USD) / Year	1999	2002	2008	2012	2013	2015	2017	2019
Total physical revenues	25.2	21.9	11.8	7.5	6.7	5.7	5.2	4.4
Total streaming	-	-	0.3	1.0	1.4	2.8	6.5	11.4
Downloads and other digital	-	-	3.4	4.4	4.3	3.7	2.6	1.5
Performance rights	-	0.7	1.2	1.6	1.8	1.9	2.3	2.6
Synchronisation revenue	-	-	-	0.2	0.3	0.4	0.4	0.5
Total revenues in USD	25.2	23.4	16.7	14.7	14.4	14.5	17.0	20.2

Table 1: Revenues for the recorded music market, 1999-2019.



COVID-19, global online platforms and public measures

At the end of April 2020, the Polish finance minister announced that Poland will introduce a 1.5% levy on the revenue of video on demand platforms, such as Netflix, Apple TV Plus and Amazon Prime Video. The revenue generated from the new tax will be directly paid to the Polish Film Institute. A government assessment found that the tax could generate up to 3.3 million euros by the end of 2020. In the government statement, it was underlined that a similar tax is currently paid by, among others, television broadcasters, cinema owners and distributors.

In addition, the Chilean government approved this year the initiative to charge foreign online platforms with a 19% VAT (Value-Added-Tax), starting on June 1st. In a similar vein, in Mexico, the government also approved the 16% VAT implementation to online platforms. As a response to these measures, since June 1st, Netflix has increased its monthly subscription value in Chile and Mexico.

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