

# Combating the Emergence of a Two-Tier Music Streaming Market

Analysis and recommendations to support a future industry of innovation, inclusivity, and sustainable growth

June 2025

**Dan Fowler**

**Katherine Bassett**

# Executive Summary

**The music streaming industry is at a critical juncture.** While revenues are at an all-time high, driven by 800 million premium subscribers and a global market worth c. \$22 billion, market developments threaten to create and entrench a two-tier system that disadvantages independent music stakeholders.

**This report evaluates industry changes through an independent lens.** It identifies a widening gulf between large rightsholders and independent actors, driven by market consolidation, opaque platform policies, and emerging monetisation practices that increasingly favour scale over diversity; **the emergence of a two-tier industry.**

Key points of concern include:

- **De-monetisation thresholds and royalty boosts** that are stripping revenue from independent labels and niche genres, disproportionately impacting classical, jazz, regional and non-English repertoire.
- **Pay for play-boost tools** like Spotify's Discovery Mode, which extract revenue from artists while offering unclear benefits and limited transparency.
- **Technology-driven pressures**, such as the rise of generative AI and streaming fraud, threaten to devalue human creativity and siphon earnings from legitimate creators.
- **The mass oversupply of music**, driven by low barriers to entry and incentivised volume uploads, is contributing to dilution in royalty pools and weakening the market visibility and sustainability of legitimate creators.
- **Subscription prices continue to lag behind inflation**, despite some recent rises.

**We include a detailed scorecard, benchmarking the current state of the market against IMPALA's 10 KPIs for the industry**, revealing partial progress on subscription pricing and environmental sustainability, but regression in support for diverse and local repertoire, market transparency, and equitable access for independent players.

**Looking ahead, the report makes concrete proposals for improvement based on IMPALA's KPIs and identifies five critical areas for immediate attention:**

1. Combatting AI dilution and streaming fraud through cross-industry collaboration and regulation.
2. Reforming royalty distribution models to ensure fair access for all market participants and increasing subscription fees in line with inflation.
3. Enhancing transparency in DSP practices, especially concerning play-boosting tools and content de-monetisation.
4. Restricting and reversing market consolidation to maintain competitive diversity.
5. Embedding consultation and impact assessment into any future industry changes to avoid unintended harm.

**To prevent a future where cultural output is shaped by economic power alone, this report calls on digital services, rightsholders, regulators, and policymakers to take shared responsibility for ensuring that the streaming ecosystem supports innovation, inclusivity, and sustainable growth.**

# Introduction

In 2021, IMPALA launched its “10 Points to Make the Most of Streaming” plan to the industry. These recommendations are designed to steer music streaming toward a future of greater experimentation, choice, diversity, and fairness for all.

In 2023, IMPALA provided an update to this work with “It’s Time to Challenge the Flow #2”, the result of a month-long review with its membership, reiterating its call for action across the 10 point plan, and focussing on the key issues of subscription prices, conversion of free to paid subscribers, and exploring new models for streaming platforms.

In the past two years, there have been significant changes to the streaming ecosystem. Subscription prices have finally begun to rise in specific markets, there has been a concerted effort to combat increasing forms of manipulation & fraud, albeit with limited success. In addition, some alternative royalty payment systems have been tested and deployed, although the services appear to have taken a narrow focus, despite other proposals presented. For example, the “user-centric” model was promoted as early as 2019 in some countries, with others following, such as those set out in the IMPALA recommendations; “pro-rata temporis”, “active engagement”, “artist growth”, “fan participation” (see point 6 of the [10 point plan](#)).

Certain recent developments, however, imposed on the market by a handful of parties, have established dangerous precedents that are open to abuse when driven by commercial pressure. For example, minimum streaming thresholds (originally introduced with the stated intention of combating streaming fraud) can disproportionately affect artists and labels whose body of work may only partially meet the streaming threshold. Similarly, play-boosting tools, enabling artists to use Spotify’s in-app algorithmic playlisting tools by taking a cut from their payments, seem to be overly targeted towards independent artists. This has become table-stakes for a large percentage of independent artists, effectively contributing to a two-tier industry, with the benefit accruing to Spotify’s bottom line.

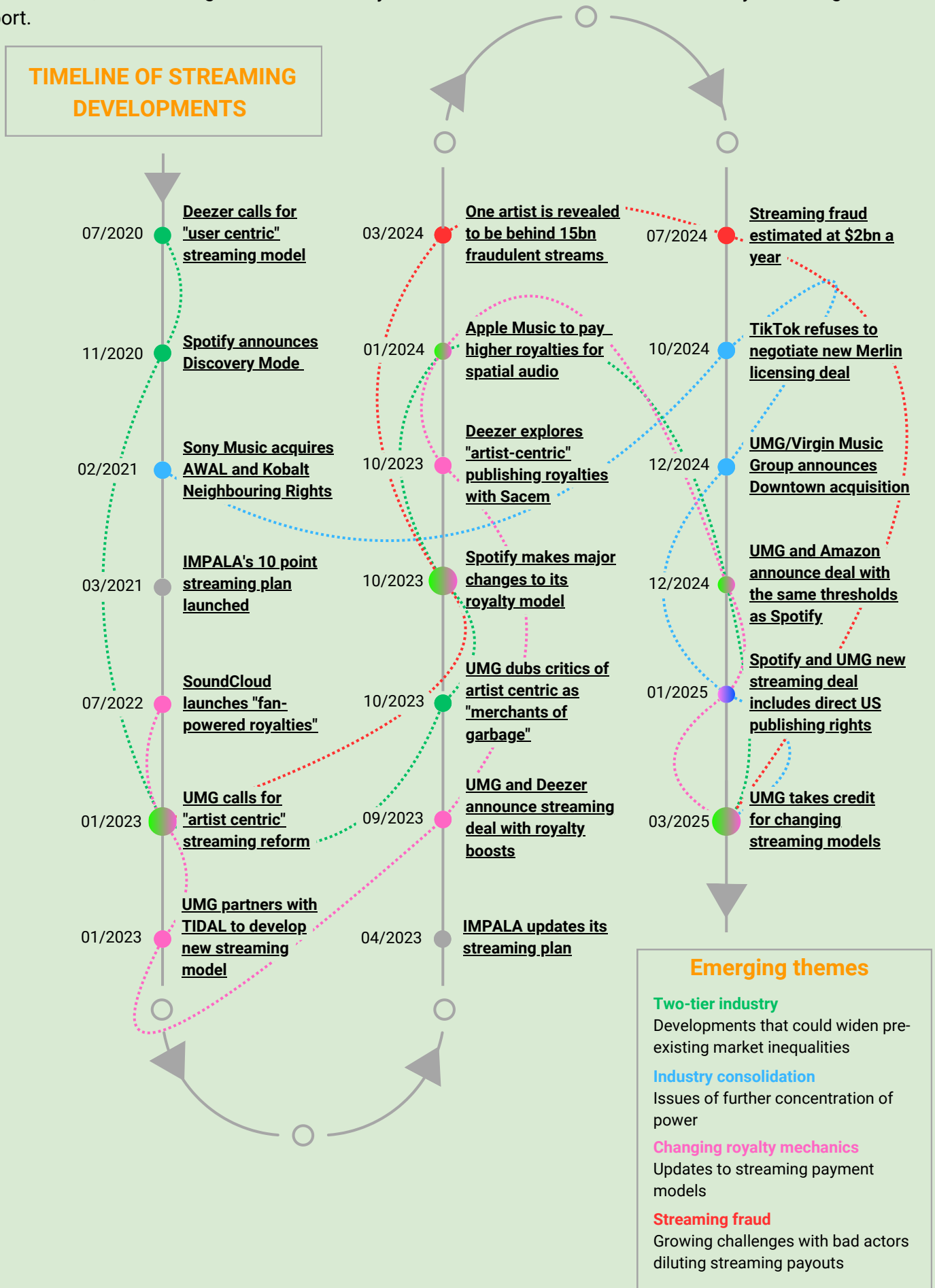
While changes to a market are expected as it evolves, the interconnectedness of music streaming means that impacts are felt throughout the entire ecosystem. This is to say that there is a responsibility for all parties concerned to transparently engage in wider consultation before such impactful decisions are made. There is a shared responsibility for ensuring the music market is fair and is conducive to breaking new artists, which the emergence of a two-tier industry cuts across.

Four years after the initial launch of IMPALA’s plan for change in music streaming, and two years after the update, in this report we will assess the industry’s development over recent years, highlight the most important evolving impacts, compare to IMPALA’s original recommendations in the form of a scorecard of KPIs, and suggest the key developments to watch in the future as well as recommend next steps.

This report has been written by industry experts [Dan Fowler](#) and [Katherine Bassett](#) and is addressed to all actors in the music sector, including digital services, with several of the recommendations aimed at decision makers.

# Streaming market development timeline

Charting recent market developments through public industry updates over the past few years reveals key emerging themes. Changing royalty mechanisms, part driven by streaming fraud fears and industry consolidation, risk creating a two-tier industry. These themes form the basis for analysis throughout this report.



# How market developments have impacted the independent music industry

The recorded music market is now worth c. \$22bn per annum, with c. 800 million premium subscribers globally. However, these topline figures mask a growing divide in economic outcomes within the industry.

There has been a clear **shift from expansion to consolidation** at the leading DSPs, marked by slowing growth in established markets and a focus on profitability. Relatedly, Spotify's share price has doubled in the past year, from c. \$300 per share to > \$600 per share, and sits at over 4x its initial offering price.

This occurs across a competitive backdrop in the industry that has seen increased M&A activity, be that major labels acquiring indie labels and distributors, or catalogue acquisition. Heritage rights retain a premium, and market share is being bought, arguably, at the cost of investment in new, innovative music. Independent labels talk of it **becoming harder to break new artists**, with back catalogue overperforming on streaming services and the impact of the biggest streamed tracks taking the lion's share of revenues.

The top line of the recorded music streaming market is in the strongest position it has ever been, and yet, at the ground level, many are facing business-critical conditions, particularly smaller, independent labels, who are essential for a diverse ecosystem. While **increasing subscription fees** is welcome, they still lag inflation, and rates of conversion from free to paid services remain low in many territories.

**At a time when cultural homogenisation is on the rise, where generative AI is increasingly putting innovative creativity in competition with mass derivation, we risk a future where music diversity is also being actively commercially suppressed.**

The introduction of **thresholds, especially where they de-monetise repertoire**, but also where they apply royalty boosts, has been extremely impactful, leading to objections in principle across the independent music community, even from some businesses who don't face an overall loss from the policy. When the thresholds were introduced, it is noted that IMPALA queried whether alternatives had been explored and how these definitions had been agreed, as they looked to be problematic to the independent sector. There are questions as to whether the practice of de-monetisation is legal, though this has not yet been tested in the courts. Furthermore, it is important to note that de-monetisation doesn't simply mean that artists and labels don't receive revenue; in reality, the royalties that they would have previously received are instead paid to other rightsowners. There are numerous reports from independent labels who have seen significant changes in the royalties flowing through to them, especially those that operate in less mainstream genres, those that represent non-English language music, and those operating in smaller regional markets.

Recent initial reaction from IMPALA's digital committee reported: "Feedback received so far indicates a more significant impact on classical, jazz, and electro repertoire, and a possible larger impact on smaller territories. Initial feedback also shows that size doesn't necessarily prevent a label from being affected, with some big labels seeing a fair share of their catalogue being de-monetised. When it comes to Spotify, most labels have parts of their repertoire de-monetised, but the overall gain with the system seems to balance this, though many still object in principle. Labels oriented towards less mainstream genres such as jazz or traditional music, or different languages are losing out."

The industry-level challenges that led to these changes have been well documented; streaming fraud is on the rise, and uploads to DSPs are growing exponentially. **Members of IMPALA's streaming reform**

**group flagged that various concerns and potential solutions** were discussed with the DSPs, for example, those set out in IMPALA's streaming plan in 2021. When the changes were unveiled by the DSPs, IMPALA confirmed its shared objectives while also raising key concerns. They also commented on the constructive and ongoing relationship between IMPALA and the digital services generally, including regular exchanges and participation in IMPALA's business affiliate scheme, Friends of IMPALA, in which both Spotify and YouTube have been participating over the past few years.

Despite the reported good intentions behind the introduction of de-monetisation as an attempt to clean up noise in the system, yet to be proven, **arbitrarily defining universal thresholds sets a dangerous precedent**. A case in point is where the same absolute threshold has been introduced at Amazon Music as at Spotify, despite Amazon having less than a third of the total number of premium subscribers globally. IMPALA [has reported](#) the account of well-known labels within its ecosystem that have seen 70% of their repertoire de-monetised as a direct result of this implementation at Amazon.

**Context is important in understanding the impact that de-monetisation is having on individual artists;** while some parties may see royalties as netting out at around parity, many artists have seen large parts of their catalogue de-monetised, effectively overnight. And while that income may not have been sustaining the artist's career on its own, it is one element within a mix of revenue streams that are all under a variety of pressures. It is a reasonable argument to make that **a legitimate play deserves a payment, however small**.

There is also a slightly subtler impact, noted by labels that we interviewed, on new artists, whereby their growth trajectory has been impacted due to the chilling effect on their ability to monetise the earliest stage of their career, and their access to support and services from platforms. Applying arbitrary thresholds to artists who are just starting their journey introduces further friction at a time when they are facing rising cost-of-living expenses and increasing competition for attention.

Unfortunately, it is impossible to provide more granular analysis on the true impact of de-monetisation without platform-level data on rightsholders' excluded streams and data on where that withheld revenue is re-distributed; without this, we can not assess the true picture of change in market share or competitive dynamics between either artists or labels, but, it was predicted that the largest players would receive a bigger uplift than even the most successful independent labels. With this noted, there is a clear distinction between aggregate, market-level impacts and those at an individual, label, genre, or catalogue level. As more royalty statements start to come through and more evidence builds up, it will be important to **analyse how the introduction of de-monetisation thresholds is affecting the independent label ecosystem with a label-by-label focus**.

By contrast, Deezer's approach has been to apply a royalty boost to tracks above a threshold rather than de-monetise those below. Which, while not absolute de-monetisation, and arguably a more reasonable moral policy, still negatively impacts artists that fall below the threshold's ability to generate royalties, due to the effect of the boost on a shared pool of revenue. We lack detailed evidence to point to in terms of the true impact, and concerns were also raised at the time by IMPALA and others, as it also potentially contributes to a two-tier system.

Another streaming policy development that is reportedly contributing to financial pressure on independent labels is the move from Apple to benefit repertoire that was mixed and delivered in Dolby Atmos format ("Spatial Audio") over that which has not. Other services, such as Amazon, may be following in the same footsteps. The requirement for higher recording costs to receive preferential financial treatment, and the related increased friction to access the market, is causing a significant financial impact on independent labels and is a further concern.

**Each of these schemes, be they de-monetisation, royalty boost, or preferential allocation due to format, sets a potentially dangerous precedent by establishing an arbitrary line on which a two-tier industry is being constructed.**

One feature of Spotify has been the introduction of pay-for-play practices for creators in exchange for preferred placement within the DSP's inventory, such as Discovery Mode and associated services, defined as "certain marketplace programs", and cited as contributing toward its bottom line within its [financial statements](#).

There is currently a general **lack of transparency around Discovery Mode**. At the market level, it's unclear who is engaging with the programme, whether the major rightsholders are using it or gain similar benefits through other means, and how other interested parties are affected when it is utilised on a track. These concerns are compounded by the fact that the tool is not available in all territories where Spotify operates, raising the question of unequal market conditions for artists and labels based on their location. On the user side, listeners are not being informed when a track they're hearing is being promoted through this programme. **The trend towards paying for play-boosting and whether there is a level playing field are of particular concern. If the majors can access similar features without paying, that's a double concern.**

While paid for play-boosting tools are currently only present within Spotify as far as we are aware, it is important to note that, as the current market leader for music streaming, the relative impact is significant, with large sums of money being extracted from the independent sector and accruing to the DSP.

**The mass oversupply of music** causes considerable dilution, as well as a whole host of other issues. Some measures have been taken by services such as Deezer and Spotify to limit dilution in the royalty pool from "functional" content, though, there are reports of collateral damage due to the approach being very broad brush, with ambient and some forms of experimental music being impacted and no clear method to work with licensing partners or recognised trade bodies to verify legitimate artists. Under the current structures, some distributors, especially those whose business is based around an upfront fee, are incentivised to push as much content as possible into DSPs, with little restriction and cost, or view on market relevance. Services introducing some kind of uploading fee, and/or storage charge, for those that deliver vast amounts of recordings that create little or no value, is a valid area to explore. Equally, making a large amount of non-music content, audiobooks, generative AI Music and production music libraries available on DSPs diverts revenues away from legitimate artists, where they share from the same revenue pool.

**Streaming fraud**, in its different forms, ranging from copyright infringement through to fake streams, has been in focus for the industry for a number of years, with estimates placing the impact on the economics of the streaming market at around [5-10% of total revenue](#). The effect on artists is clear, in an industry where total revenue is shared across participants, fraudulent activity is directly siphoning money away from creators and to bad actors.

The past few years have seen a concerted effort to inhibit illicit streaming activity, which is increasingly complex. Many **independent labels have talked about the need for more industry-wide collaboration**, including major labels and DSPs. Fines imposed on distributors by Spotify have helped to curb the impact of fraud within the platform, though, due to disparity of action across platforms, there is a risk that this may ultimately lead to fraudsters focusing their efforts on those with lower protection. Fines also fall short in limiting more sophisticated bad actors, who can relatively easily evolve their practices

as new measures are implemented and continually spawn new aliases to release under. Furthermore, there is a risk that fines are passed on to labels for misaction that they didn't commit.

As **streaming fraud is a particularly complex and ever-changing issue**, nuance and community input are required in the measures that are implemented to combat it. Unfortunately, to date, most have been imposed on artists and labels without comprehensive discussion on the specificities, and, as a result, there are numerous reports of unintended consequences in the form of false positives being flagged. A commonly cited example is where a track from a non-fraudulent artist is put into a playlist that is flagged as fraudulent, without their knowledge or consent, leading to them incurring fines or being exited from their distributor. Straightforward channels of communication and resourcing to rectify such issues are not always available, particularly to smaller players.

With the rise of **generative AI ('genAI') systems**, the speed and complexity of streaming fraud are likely to increase at a significant pace. Great care will need to be taken to ensure that efforts to combat future fraudulent activity fulfil their aims, and at the same time, are nuanced, to preserve the value that legitimate creators can generate while limiting the consequences that sledgehammer-like thresholds or punishments could bring.

The role of **collective representation for independents** is also an issue which has been raised since IMPALA published their updated plan. [TikTok boycotted Merlin](#) at a crucial time in their renegotiations, telling labels they could seek a direct deal. The ultimate impact on commercial terms for independents, likely poorer overall, and the basic question of market access need to be assessed. This is also potentially part of a two-tier trend and is an area which would be suitable for the attention of regulators.

**Industry consolidation** is also a relevant factor, with concerns raised that this will aggravate market power and control over digital service payouts. Claims made by the market leader UMG about the roll out of "artist-centric" and, more recently, reforms which it has dubbed as "streaming 2.0", cast light on how these changes have been influenced and are structured to bring the most benefits to the biggest players to the detriment of the smallest.

All of this is crucial when considering how to **boost diversity, reward investment, and support emerging artists**. Streaming has the potential to play a key role in this, which is a central focus of IMPALA's streaming plan.

# Industry Scorecard - current state assessment judged against IMPALA's 10-point plan

The 10-point plan presented by IMPALA in 2021 represents a set of KPIs on which to hold the industry to account. Assessing developments to date allows us to create a scorecard and to provide improvement proposals that would achieve the goals of a fairer, more equitable, more profitable streaming ecosystem, as set out by IMPALA's vision for the industry in the future.

| The 10 Points   | Development   | Score (/5)                             | Improvement proposals  |
|---|---|--|--|
| Grow overall streaming revenues – unlock subscriptions (prices to follow inflation), promote differentiation, end revenue dilution and address unlawful activity. | After years of fixed prices and effective devaluation compared to inflation, music streaming subscriptions are finally increasing. Wide-ranging price increases this summer should help cement this development. There is some concern, however, that de-monetisation measures are mitigating the upside in royalties that some independent labels would see.   | 3<br><i>Prices</i>                     | Continued growth of subscription prices in line with economic growth should be a bare minimum, especially for the relative value of music vs. other content offered within DSPs. We wait to see how the “superpremium” / “superfan” higher tier is implemented, but caution that fairness in access and opportunity is paramount, while also cautioning that the commercial impact is unlikely to be significant vs. the economics of the underlying proposition of subscription-based music streaming.  |
|   | On dilution and unlawful activity, efforts have been made, including an industry code on manipulation, measures to address dilution by functional content and financial penalties for fraudulent activity but with little real effect. Some initiatives have impacted revenues with a disproportionate impact (eg thresholds, see more below). AI is key issue with consent and transparency issues still to be resolved. | 2<br><i>Dilution/unlawful activity</i> | Revise the industry code on streaming manipulation. A true pan-industry approach utilising third-party fraud detection agencies and others to share best practices knowledge and develop information-sharing methods is essential. Make sure there are checks and balances in place for fines and measures to address functional content. Alternatives to thresholds, in particular, should be reviewed, with changes introduced after industry consultation and agreement. Governments to adopt key AI frameworks based on transparency, consent and remuneration (if specific authorisation is granted). |
|   | Value gaps with short-form video services have grown despite the role of music in these services. Merlin's role as a collective licensing solution for independents was met with a boycott by TikTok.   | 1<br><i>New value gaps</i>             | As social platforms and DSP equivalents continue to develop, it is essential that licensing develops in tandem - revenue needs to increase. Regulators may need to intervene to confirm rights of rightsholders to choose collective representation options such as Merlin.  |

|  |   |          |  |
|--|---|----------|--|
| <p>No royalty reduction, pay-for-play, or other initiatives recreating elements of payola.</p>   | <p>Play-boosting features which involve payment are now standard practice at the leading DSP, and appears to be targeted specifically towards the independent label market. It's unclear how much credit towards these schemes is provided within the major-DSPs deals, however, there are possible indications that Universal &amp; Sony specifically may be gaining similar benefits without paying.</p>  | <p>1</p> | <p>Now that schemes accommodating payment for algorithmic playlist placement are established, one question will be whether the course can be reversed. Moving forward, acknowledgement of the cost and data provided to artists around the return on investment that they are receiving would be a positive step. It is important that while DSPs drive towards profitability, this is not at the expense of independent labels or their artists. The question of an uneven playing field in terms of whether some market participants are accessing the features without paying needs to be assessed.</p> |
| <p>Apply revenue enhancement mechanisms in low paid-conversion markets</p>   | <p>Price rises should continue to be implemented across the board. With music streaming growth plateauing in the traditional regions, emerging regional markets hold the key to future growth; it is essential that the value of music is preserved globally. Some countries have very low ARPU.</p>  | <p>1</p> | <p>This should be part of removing or decreasing the "value gap". With current and future growth for DSPs set to continue to be in lower-APRU regions, the global value of music must be maintained.</p>   |
| <p>Use sophisticated tools to address unlawful activity that removes value from creators, such as streaming manipulation, ad-blocking, stream-ripping and AI rip-offs.</p> | <p>From 2024, Spotify started to fine distributors for fraudulent uploads, which, while far from sophisticated as a means of mitigation, has had some impact in clearing out a lot of the low-hanging fruit. Other DSPs, such as Deezer, have rolled out new tooling to aid in the identification of fraudulent players. Despite this, more sophisticated bad actors continue to thrive, and legitimate tracks can get caught up in someone else's fraud. IMPALA queried whether services had considered other approaches to thresholds, such as upload or storage fees, and plugging in labels meeting certain criteria.</p> | <p>2</p> | <p>Current solutions are quite primitive; more sophisticated tooling is needed to catch more sophisticated bad actors. For example, better ID protocols, more consistent metadata, better sharing of bad actors between DSPs, labels &amp; distributors.</p> <p>A clearer definition of what "real" music and "real" artists are, a challenging and controversial subject, is likely going to be required. Platforms should work with the industry, including trade associations, to gather a wide range of voices and provide the level of nuance that this highly charged debate will require.</p>       |
| <p>Labels to pay artists a fair contemporary digital royalty rate, not so-called "equitable remuneration", support industry agreements instead</p>                         | <p>The independent sector continues to support fair royalty rates as set out in the IMPALA plan.</p> <p>IMPALA has spoken out on why it does not support so-called "equitable remuneration" because it's not equitable, see more <a href="#">here</a>. Impact on diversity has also been flagged, for example, see <a href="#">here</a>.</p> <p>Policy makers generally agree that "equitable remuneration" isn't a</p>   | <p>3</p> | <p>Industry collaboration is recommended, involving majors and independents as well as artists, where issues arise. Decision makers to avoid cutting across investment and labels' commitments to maximise earnings for featured artists (so-called equitable remuneration goes against that commitment).</p>  |

|   |   |   |  |
|---|---|---|--|
|   | <a href="#">silver bullet</a> . Only Belgium has adopted it, and that's under appeal.   |   |  |
| Reform the allocation of streaming revenue: Differentiation of rates and exploring alternative royalty models. Revise the master rights share for labels and artists upwards to cover risk and investment. Thresholds to access monetisation mechanisms should not harm small labels or small markets | We are starting to see some experimentation, for example, Deezer exploring "artist-centric" and Soundcloud having rolled out Fan Power Royalties. The move toward de-monetisation and royalty boosts creates a precedent that is wrong in principle, goes against copyright and the right to payment for use of music and is open to abuse through commercial pressure. | 2 | While the industry is searching for answers, there should be more testing and research, and a willingness to try new models, such as those proposed in point 6 of the IMPALA plan or combine ideas. Platforms should collaborate with independent labels when considering changes in order to mitigate poor outcomes. Now the precedent of de-monetisation and royalty boosts is established, regulator input may be the outcome unless industry collaboration is achieved. Moving forward, it is essential that any changes to the thresholds involved are agreed with cross-party support rather than being imposed on the market. |
| Enable search by Labels, Performers, Producers, Composers, Musicians, Authors, Publishers   | Not currently implemented within major streaming services, Apple offers some functionality, as does Tidal.  | 1 | Creating profiles for Labels, Performers, Producers, Composers, Authors, Musicians, and Publishers could be enabled through pre-existing metadata.   |
| Boost local repertoire and languages– better profiling in playlisting, track titles in more than one language, specific and ringfenced funding mechanisms to invest in new, local recordings.   | Cost pressure within DSPs has forced the consolidation of regional editorial teams, directly impacting the potential for non-mainstream content to cut through to audiences.  | 1 | Articulating the importance of support for local repertoire and languages is essential to raise their prioritisation within streaming platforms. Consumer habits may be increasingly moving toward local repertoire, but more work needs to be done to assess how broad this effect is (ie are results skewed by top earners, are emerging artists benefiting from this?); positive support at a platform level could provide a significant boost.   |
| Work collaboratively with a spectrum of labels, across all markets, to ensure editorial algorithm developments are transparent, are not based on economics and don't negatively affect diversity, local repertoire and opportunities for artist discovery.  | The proliferation of algorithmic playlisting creates further barriers for local repertoire and languages.   | 1 | This needs clear prioritisation, with regulators increasingly interested in the impact of algorithms (eg on European repertoire discoverability), an industry-wide discussion is recommended.  |
| Help our digital partners assess and reduce their carbon  | Discussions take place with key industry partners through IMPALA's sustainability task force and, more  | 3 | Collaboration is crucial, and industry-wide efforts will complement IMPALA's work.   |

|                                     |   |  |   |
|-------------------------------------|---|--|---|
| <p>footprint for digital music.</p> | <p>recently, through the Music Climate Pact (MCP). Standardisation of accounting is also key, which IMPALA has developed for its own members (see more <a href="#">here</a>). For non-digital emissions, IMPALA provides members with the first label-specific carbon calculator for free and other tools, such as the business case for taking action, guidelines <a href="#">here</a>. MCP has established a digital working group, which will also help with industry standardisation.</p> |  | <p>Access to clean electricity at scale is also essential, as well as ensuring efficiencies in the system. AI music and other AI functions will need to be addressed in this context too, as they are particularly energy-intensive. MCP's digital working group will help industry standardisation, with concrete outputs being worked on.</p> |
|-------------------------------------|---|--|---|

## Takeaways

- Measures to increase industry revenue are mixed in their efficacy, with some starting to have a positive effect; however, key issues remain with regard to value gaps and low paid-conversion markets. De-monetisation and pay for play-boost schemes threaten to mitigate much of the overall revenue increase for key segments, as well as create a two-tier market.
- Research & experimentation have increased significantly, providing more evidence to support policy changes - we suggest that more resources should be directed towards these efforts moving forward. Availability of data is a common inhibitor to drawing concrete conclusions, significant effort is required to increase transparency and data sharing.
- Market dynamics are predominantly dictated through the licensing deals between the majors and DSPs, particularly led by the market leader UMG, which produces changes to the market being imposed on all other parties. This often leads to unintended consequences that are disproportionate and could be avoided by addressing consolidation and ensuring open communication and industry negotiations ahead of new precedents being established, as well as ensuring respect for labels' freedom to choose collective representation solutions such as Merlin.
- Streaming fraud is a significant issue in the industry, despite legitimate efforts to curtail it. Increasing focus needs to be paid to combating this destructive practice, which is reportedly predominantly being perpetrated by bad actors outside the industry, and with the growth of genAI, the effects are likely going to accelerate. The only effective response will be borne through industry-wide collaboration.

# Forecast

Looking forward to the next two to five years, several aspects will require close attention as they directly impact the music streaming market and contribute to the themes and impacts assessed throughout this report.

## **Rapid increase in genAI releases**

Deezer recently announced that 18% of music uploaded to the platform is fully AI-generated, identification of which has been made possible through the launch of a new AI detection tool. It is therefore likely that the statistics will be similar, or even higher, at other DSPs. This trend is set to accelerate and will force increasing scrutiny around the effectiveness of measures implemented to combat dilution.

While there remains ambiguity with regard to the regulation and enforcement of genAI releases from region to region, there will inevitably be significant friction and inefficiency in managing the representation of creative works.

Specific focus will need to be paid on ensuring that genAI releases do not dilute the value of music within DSPs, by being preferentially positioned or being included as part of the royalty pool. Again, industry collaboration will be key. Regulators will also need to be sure that effective legislative frameworks are in place, with one current priority in Europe, and adopt an [effective AI code of practice](#).

## **De-monetisation & royalty boost threshold rises**

Now that they are established, there is a key risk that commercial drivers will force upward pressure on de-monetisation and royalty boost thresholds. The emerging picture of harm that arbitrarily implemented de-monetisation thresholds have already caused has been discussed at length within this report - most artists are affected, regardless of their size, though new artists and those operating within traditionally niche markets and genres appear generally disproportionately impacted. Raising these thresholds or adopting other measures that further re-engineer royalties without proper impact studies and collaboration across industry is likely to bring in a whole new cohort of artists and rightsholders who see their income significantly affected, entrenching a two-tier industry and creating barriers to participation.

## **Increase in pay for play-boost schemes**

There is a real risk that pay for play-boost schemes become table stakes to compete within a DSP's inventory, leading. Should this affect the independent sector in practice because others are getting access without paying, then there is a risk of two-tier economics becoming the de facto status of the market.

"Superpremium" and bundling of music with other content within DSPs are likely to result in upward pressure on subscription prices. However, if the allocation dedicated to music, described by Spotify as the "basic" tier, does not rise in line, then we could see a dilution in the relative value of music. An increasing amount of public release resources is currently being dedicated to incoming "superfan" features within Spotify, presumably to be included within the superpremium tier. As the details behind this are yet to be announced, it is difficult to provide an opinion on the potential impact of this, however,

care will need to be taken to ensure that it does not overly benefit the largest rightsholders over independent labels.

## Further industry consolidation

Practically every challenge described within this report comes as a direct result of the asymmetric power dynamic that dictates the market; specifically, a handful of entities that have disproportionate leverage regarding setting the terms that every single party must operate under. The last twelve months have seen a worrying increase in M&A activity from the majors toward independent labels and distributors, which could further accentuate this issue if left unchecked, unless regulators intervene to curb consolidation and set out rules for market leaders and ensure services respect label choices to use collective licensing solutions such as Merlin. Additionally, the unchecked power of digital platforms has seen an increase in the practice of unilateral dictation of terms to independent music businesses.

---

## Recommendations for next steps

1. **Start:** Implementing IMPALA KPI scorecard improvement measures
2. **Start:** Carrying out impact assessments of changes to the streaming market
3. **Start:** Wide consultation on how future changes should be implemented
4. **Stop:** Further market consolidation should be prohibited and reversed