



UNIVERSAL/DOWNTOWN – WHY DOES IT MATTER FROM A CULTURAL DIVERSITY PERSPECTIVE?

Introduction - The question for regulators in the music market today is competition and balance. One of the key aspects of this is cultural diversity. This is a competition issue of course, but it also goes to the heart of the music sector. All independents need to be able to rely on their diversity having value, for example when licensing, or when they want to exit and should have plenty of options for their business and their catalogues. Big companies are important for balance in all markets - they can take a stance when needed and can help set a value which benefits all when done in a way that respects copyright, remuneration and inclusivity. Recent news on the [Spotify AI agreement](#) is one example where we see independents and majors side by side. Other examples such as payment thresholds and other changes to the streaming market, however, show that there are real risks with market power. Concerns have been raised about the impact of increasing UMG's power, further entrenching a two-tier streaming market, harming the ecosystem, losing a significant competitor as well as other aspects such as the term *independent* being appropriated as a tool to compete. The market has been described as being "at a tipping point".

This note below is adapted by IMPALA from a confidential submission it has made to the European Commission focussing on the possible impact of UMG/Downtown to cultural diversity. This follows a separate economic analysis submitted to the EC which concludes that the acquisition would allow UMG to "*weaken the competitive threat of the open independent ecosystem*", "*absorb critical infrastructure*", "*gain access to irreplicable, commercially sensitive data*" and "*deprive independent labels of significant resources.*" The consequence of that would be damage to the independent music sector in the EU and a reduction in income. This is fundamental from the perspective of cultural diversity (Article 167 TFEU¹) because if independent music companies earn less money, they will have less money to invest in new music.

Independent record companies have always led the way in the acquiring and developing of new music. This is part of their *raison d'être*. In addition, because smaller labels' back catalogues are much smaller than those of the major labels, they must constantly seek out and develop new talent to remain successful or even viable. The smaller independents in particular cannot simply work their catalogues harder. Independents are the pioneers and essential risk-takers, accounting for over 80%² of new releases in Europe. In this environment, independent labels promote musical diversity, investing in emerging and mid-tier artists across musical genres, sustaining small businesses, focussing on new releases.

Professor Amelia Fletcher has done some modelling on this (included in IMPALA's confidential submission to the European Commission). One of her key findings is that any reduction in the streaming revenues (modelled on the basis of a net effect of a reduction per stream for a representative independent label) will lead to a reduction in total market releases, and that smaller genres and countries, including non-English language music, would be most impacted. Under the assumptions made, a small reduction in revenues for independent labels has substantial effects in reducing the total number of releases and total artist income. Thus, a direct line is demonstrated between reductions to revenue per unit for the independent label and diversity and culture.

This is a problem because independent labels lead the way in the promotion of national artists outside the mainstream, singing in local languages and the development of emerging niche genres. To put this into perspective in terms of diversity and genres on Spotify for example, one article found a big difference between the Top 100 and Top 500 genres and concluded that "*on average, the genre niches tend to be driven by independent catalogue.*"³

In the context of an upcoming report on diversity in the music sector, we have identified up to 578 different music genres⁴ in tracks released by EEA independent artists over the last 12 years, from Spanish hip hop to German worship to Scandinavian folk. We believe it is important to assess new artist signings as well as new releases by

¹Which the European Commission is obliged to assess, under Article 167(4), Treaty on the Functioning of the European Union, see for example paras 443 and 623 of the EC decision in case M648 (UMG/EMI)

² Estimate originally based on data available to members in key markets in Europe as well as estimates from national groups where data is not available

³ <https://hmc.chartmetric.com/indie-major-labels-spotify-recommendations/>

⁴ Source Chartmetric. Other sources point to more genres such as <https://everynoise.com/#otherthings>

genre for the purposes of further understanding the full breadth of cultural diversity in genre amongst the independent music sector compared to other market participants.

IMPALA's estimate of the percentage of new releases attributable to independents is at 80%, but recent national statistics show that this figure could be a lot higher, at least in some countries. In France, for example, 95% of new releases in 2023 came from independent producers, showing how the sector sustains small professional businesses across the value chain (CNM 2023⁵). 97% of the artists on these releases were new artists.

The question of local repertoire is important, and this has attracted some attention in recent years, with local language repertoire doing well in hit recordings. However, this does not provide a complete picture in terms of diversity of the music or the releasing labels. For example, 70% of the Top 200 artists in France are local artists, but below that the share drops to 80% in favour of international repertoire (SNEP H1 2025) and Germany reportedly shows the same pattern⁶. In addition, the various data points in this note tend to indicate a highly concentrated market overall.

The proposed acquisition of Downtown and the consequential weakening of the independent sector is happening at a time when new music is in decline on streaming services compared to older releases. There has been a steady increase of catalogue music sales on digital service providers (DSPs) – 86% of UK streams in 2021 were for back catalogue music (defined in that report as "older than 12 months")⁷.

The UMG Annual Report 2024 p31 also discusses the same phenomenon (using a different metric to assess catalogue and new releases): "*catalog sales (defined as music older than 3 years) accounted for 66% of recorded music digital and physical revenue in 2024, while frontline product accounted for 34% of recorded music digital and physical*". This is an increase from 62% in 2023 (UMG Annual Report 2023) and up from 54% in 2018. (UMG defines catalogue as music older than 3 years old which is a longer period than the definition used in the report in the UK referred to above. If for example this was older than 12 months, this percentage would be higher.)

Success on digital services is crucial at a time where this source of revenues today accounts for almost 70%⁸ of total recorded revenues. Already in 2021, 58% of revenues for the recording sector were from streaming, something that was also mentioned in the UK IPO report where it found that labels are more dependent on streaming, compared to other parts of the sector whose portfolio of revenues is more balanced⁹.

The position of independents in this essential market can be seen in data on streaming plays. For example, on 10 October 2025 only 8 tracks in the Spotify Top 1000 were new releases on independent labels¹⁰. This is not a one off. The CMA published a table in its 2022 report showing that the majors had a 92% combined share of recording rights for the top 1000 singles in the UK in 2021¹¹. The majors owned 76% of all streams for the same year¹² and the top 1% of artists attracted 80% of the total streams¹³. As regards the Top 100, UMG Capital Markets Report 2024 noted that "85 % of Spotify Top 100 are represented by majors over the last 3 years".

UMG's own performance is also telling. In 2023, 9 of the top 10 global artists, 4 of the top 5 Spotify artists and 8 of the top 10 global albums were signed to a single major (UMG Capital Markets Reports 2024). The same report also gives an interesting national example: "*In Germany, after having ALL of the Top 10 albums for a week in mid-November, a feat never before accomplished by any company; UMG finished the year with six of the Top 10 albums.*" In its results for 2024, UMG cited 9 of the top 10 global artists, 6 out of the Top 10 artists on Spotify, as well as six of the Top 10 most streamed songs globally on Apple Music. UMG's CEO memos from these two years also reveal the extent of the company's position in charts and hits in multiple countries¹⁴.

UMG's attempt to buy Downtown is also happening when breaking acts is becoming harder¹⁵. It's becoming more expensive to make and market new music. In a recent survey of the independent label sector, 67% surveyed believe it is harder to build artist careers because of the quantity of music, while 52% believe it is harder to build

⁵ 2023 CNM Report available [here](#), see data on slide 9

⁶ Comment from Denis Ladegaillerie, MBW article "Dennis Ladegaillerie Sees the Future of Music. It looks Nothing like the Past"

⁷ UK CMA Music and Streaming Report 2022 available [here](#), p14, para 1.35 citing CMA analysis of data from the Official UK Charts

⁸ IFPI State Of The Industry report 2025

⁹ UK IPO Music Creators' Earnings in the Digital Era 2021 available [here](#), p120

¹⁰ Source Chartmetric.

¹¹ Citing CMA analysis of data from the majors, p28

¹² Para 5.12 CMA

¹³ CMA p14, citing CMA analysis of data from the Official UK Charts

¹⁴ Lucian Grainge's memos to staff, [February 2025](#) and [January 2024](#)

¹⁵ See also Billboard "Is Music's Mainstream Getting Smaller? A Streaming Analysis Shows the Difficulty of Breaking through", 22.09.25

artist fandom¹⁶. The same report noted that more labels (41%) are finding it more expensive to sign artists now than 2 years ago (38%)¹⁷.

In part, this could be attributed to access to playlisting and other tools. The CMA has noted that playlisting clauses in the agreements entered into with DSPs to ensure share of tracks within some playlists broadly corresponds to its overall share of streams. The CMA noted this *“could impact competition by making it more difficult for emerging record companies to gain prominence for their artists. This in turn makes it more difficult for such record companies to make money and expand.”*¹⁸

This situation is further compounded by the recent streaming demonetisation policy led by UMG¹⁹ whereby since April 2024 Spotify no longer pays royalties for under 1,000 streams, a figure that can be reset each year. An agreement between Deezer and UMG in 2023 also uses thresholds to apply royalty boosts. Amazon Music followed this year with a similar approach but a much higher impact as the streaming service is smaller, with some independent labels estimating that up to 70% of their tracks were *“demonetised”*²⁰.

The recent Midia report noted that the *“streaming royalty tiers”* approach disproportionately affects the smallest independent labels²¹. These labels are already spending a larger share of their revenues on marketing than the other label sectors identified in the report.

Indeed, the same report found that it is the smallest labels, with less than one million dollars of annual revenue, *“that generated most of the spending (\$604.1 million) and spent the largest share of their revenues on marketing (15.7%). This reflects the need / desire of these, often earlier stage, labels to (try to) cut through the noise”*.

Further, new music is comparatively more expensive than catalogue music - the UK’s CMA in its 2022 report, noted in paragraph 5.12 *“The internal budget documents of one major show that, whilst catalogue music contributed a slightly higher level of overall revenues compared to new music, it required [60-70]% of ongoing annual direct expenditure (which includes expenditure on artist royalties and direct overhead in addition to A&R and direct marketing). One reason for this is because, as catalogue music has already been released, it already has an established listener base.”* Whereas *“Indies, without the benefit of large cashflows generated by catalogue music, can struggle to compete with the majors”* (para 5.13 CMA report).

Data also demonstrates that artists are better off when signed to labels, with median earnings higher than for artists who self-release.²² This underlines the importance of ensuring a strong label sector to partner artists, including an independent sector whose access to market and negotiating position is not compromised further. As Professor Fletcher's modelling shows, even a small reduction in streaming revenues can have a significant impact in terms of new releases.

The weakening of the independent sector is happening at a time when more and more new music is being created by AI. Although AI is an extremely useful tool in many functions in the music business, the phenomenon of AI music makes the market as well as society more vulnerable to concentration. This is because it reduces original creative activity - a key human characteristic - which the independents have always championed. A strong independent sector is even more important today to ensure diverse human creativity is properly supported.

Conclusion - The impact of UMG buying Downtown on cultural diversity is an essential part of the competition assessment. Independent record companies have always been the promoters of cultural diversity and champions of new music. Professor Fletcher's model is clear, and the music market itself is even more vulnerable to concentration than before. If UMG buys Downtown, there will be a material detrimental impact on artistic cultural diversity within the EEA as a result of the independent labels generating less income and having less money to spend on new music.

¹⁶ P13 Midia State of the Independent Music Economy Fragmentation and Consolidation 2024

¹⁷ P12 Midia State of the Independent Music Economy Fragmentation and Consolidation 2024

¹⁸ Para 3.14 and 3.15 of CMA report 2022. Note that the CMA also referred to the majors' own playlisting services, which would also have an impact, although they are less prevalent in today's market.

¹⁹ “Lucian Grainge has also used his power to encourage a number of streaming services to revamp their royalty models,...to pay what he called “professional artists” better and redirect money away from the longest part of the long tail”, Billboard 22.09.2025

²⁰ For example, see this Digital Music News [item](#)

²¹ “Newer, often smaller, labels born into the streaming age labels” are more affected (p22). Independent generally are more concerned (p10). See also 19 above. The report [Combating the Emergence of a Two-Tier Music Streaming Market](#)” from June 2025 by Dan Fowler and Katherine Basset analysed recent evolutions in the music streaming market, warning that a two-tier industry is emerging which requires *“immediate attention”*

²² UK IPO 2021