

THE PACK AUSTRALIA

GLOBAL MUSIC STREAMING AND ITS IMPACTS ON THE LOCAL, ORIGINAL MUSIC COMMUNITY.



Streaming
for Social
Good.

Industry Research White Paper prepared by
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EXECUTIVE SUMMARY

The current state of the local music industry.

The promise of music streaming to the music industry was an accessible distribution channel with almost unlimited global reach, but it has highlighted some increasing inequities in the music industry. With major labels taking the lion's share of streaming revenue for their 'famous' artists, where does this leave the independent music creator – our local, original music community?

The average song play on most global streaming platforms nets an individual artist less than 0.005 cents, so to make back the cost of an average \$5 coffee in Perth, a song must be streamed 1000 times. Where once musicians could sell

their recordings, either as physical media, or digital downloads, these revenue streams have all but dried up for most musicians.

At the same time the live music industry is suffering. While performing artists contribute greatly to local economies, the state of their own personal finances does not reflect their cultural or economic value. In 2016, the peak body representing the Western Australian Music Industry (WAM) commissioned a report researched by Edith Cowan University into the value of the Western Australian Music industry to the State's Economy. The report found that the sector

contributed \$985 million to the State's economy and employed almost 3,000 people.

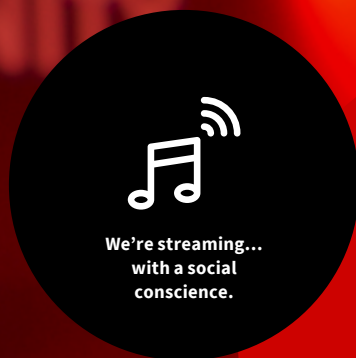
The APRA AMCOS Live Music Report from 2014 found that live music generated \$15.7 billion into the Australian economy, creating 65,000 full and part-time jobs across the country. It is estimated that the social return on investment is up to three times its cash value - for every \$1 spent on live music, \$3 goes back into the wider community. The report found that despite these clear economic benefits, little is trickling back into the pockets of our artists. The economy and society benefit on the back of inadequately

\$7,200/YR

The median income for practicing musicians in Australia calculated at just \$7,200 per year

\$985M

The 2016 WAM report into the value of the Western Australian Music industry to the State's Economy found that the sector contributed \$985 million to the State's economy and employed almost 3,000 people.



We will provide quality local music content to a whole new community of listeners.

remunerated cultural labour.

Such financial instability is a leading cause of mental health issues in musicians and will have increasingly pervasive impacts on the music industry over time. Australia promotes itself as a 'music nation', but is this reality, and at what cost?

The integrated nature of the industry, its interdependent live and recorded music marketplaces and the parallel threats to these

have significantly increased multiple financial pressures on the Australian independent musician over the past decade. This coupled with poorly conceptualised and applied arts policy and funding models, and a general lack of understanding of the dependencies in the system, has led to an industry in crisis.

It is time now to approach the Australian music industry as an interdependent ecology and to

take a systems-thinking approach to addressing the political, systemic and digital impacts that have brought it to this place.

This will take more than Parliamentary Inquiries. It will take a meeting of the creative minds across an entire industry; it will require genuine collaboration and human-centred design; it will require a decadal commitment; and, it will require a political paradigm shift. The Pack was

created specifically to play a central part in this change as a unique social enterprise.

The Pack Australia understands that music streaming is here to stay – so instead of swimming against the tide, we’re using streaming technology, but building a very different business model from the current players in the market. We’re creating a ‘community’ model, where our artists are valued content creators, users and beneficiaries – not an exploitable commodity or economic product. We’re streaming... with a social conscience.

The Pack intends to build a music streaming platform which will enable any Australian business that plays recorded music on their premises (including retail, entertainment, hospitality / food and beverage, commercial enterprise or other), to stream local (only), original music directly to their location. We will provide quality local music content to a whole new community of listeners, and provide a music sharing platform for local, original, unsigned artists.

As an industry focussed social enterprise, The Pack will do something no other music streaming service (MSS) has done – which is to forge interactive, mutually beneficial connections between local businesses, local listeners and local musicians, with the support of local government, in order to save our local music industry. This will mean that in local businesses, local artists are profiled. It will mean that within local government areas, local artists are collecting (and spending) local money. It will mean real, convertible exposure, real, active data and real, local community connections.

The Pack’s female Founders are working original musicians themselves and know first-hand the issues and impacts that the industry is facing. They are deliberately creating space for those musicians who find it hardest to gain entry into the music industry – those marginalised by sex, race, gender identity or lack of resources – through the development of a not-for-profit cultural organisation. The Pack Foundation will provide recording support and capacity building scholarships to emerging Australian, original artists, and will foster, and sustain, the talent and uniqueness in our industry.

It is The Pack’s mission to re-democratise the system, re-localise the music community and make sure that Australian artists get the recognition (and the revenue) they deserve. We don’t intend to be a global giant, but will work directly with local, original, unsigned artists to become a local hero. We honestly believe, that with carefully crafted policy, partnerships and proactive interventions, we can create an Australian music industry where in every town, city and state, music is a key actor in a strong local economy, providing creative employment, arts tourism opportunities and strong local culture and identity. We can create a world where our local arts communities are resilient, vibrant and financially viable.

Our request of governments, and potential investors, partners and sponsors is to read this paper to gain insight into an industry in decline, and to partner with or invest in The Pack Australia, to support us in our work to address the key ‘invisible’ illness impacting our industry.



INTRODUCTION

State of the Industry

The 2018 Australian Parliamentary Inquiry and Report on ‘Factors contributing to the growth and sustainability of the Australian music industry’¹ reveals an unhealthy sector.

Across 124 submissions provided by artists, arts industry bodies, licensing agencies, government agencies and others, there is a clear theme – the music industry in Australia is not being provided with sufficient opportunities to enable access to, and development of, local, original Australian content.

Key messages included the impact of digital disruption and global streaming services on the industry; mental health risks for Australian musicians and arts workers; diminishing revenue streams from both live and recorded music and the inability for venues, retailers and other businesses to access and promote local, original music content.

The Parliament of New South Wales concurrently held a State inquiry into ‘The

Music and Arts Economy in New South Wales’², with a further 60 submissions adding to the picture of an industry in crisis.

The arts are key to community cohesion, health and wellbeing and cultural growth. They are also a valuable economic product. The contemporary music industry contributes more than \$6 billion to the Australian economy annually, the arts in general – over \$50 billion – and yet relies heavily on the unpaid labour of cultural creatives.

There are more than 250,000 songwriters, composers and music publishers registered in Australia and New Zealand according to the Australasian Performer’s Rights Association’s more recent datasets. This equates to over 1 million unique songs and compositions, with many more not registered and therefore not included in APRA’s available datasets. There are more than 147,000 businesses licensed to play music in Australia and New Zealand.

1 https://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/Australianmusicindustry/Report

2 <https://www.parliament.nsw.gov.au/lcdocs/inquiries/2471/Final%20report%20website.pdf>

Australians continue to spend \$2 billion per annum on recorded music, and buy 3 recordings per second or 100,000,000 each year.

Unfortunately however, these statistics don't reflect our consumption of Australian music. These figures relate largely to Australian music consumers' spending on international artists.

While many of the submissions to the Federal and NSW inquiries highlighted the major impact digital disruption and global music streaming has had on the recorded music industry, few posited an applied technology response.

Emerging music creators must be supported to reclaim their viability and sustainability within the digital music environment in order for the industry to emerge from this era of digital disruption in a healthy and internationally competitive state.

250K

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\$2B/YR

**AUSTRALIANS SPEND
TWO BILLION DOLLARS
ON MUSIC EVERY YEAR.**



**IN THE MULTI-BILLION
DOLLAR MUSIC INDUSTRY
MUSICIANS EARN JUST
\$7,200 PER YEAR.**



**9 IN 10 AUSSIES LISTEN
TO MUSIC EVERY WEEK.
1 IN 4 EXERCISE.**



**AUSTRALIANS BUY
3 RECORDINGS PER
SECOND — 100,000,000
EACH YEAR.**



**JUST 7,900
AUSTRALIANS WORK AS
MUSICIANS AS THEIR
MAIN JOB.**

OUR MAJOR CHALLENGES

1 Global Streaming Impacts on the Music Industry: Viability, Visibility and Equity.

While streaming was sold to the music industry as an accessible, instant distribution channel with almost unlimited global reach; it has become an effective distribution monopoly, with the average song play on most global streaming platforms netting an individual artist less than 0.005 cents.

To make back the cost of an average coffee in Perth, a song must be streamed 1000 times.

To put this in the context of artist earnings - one million streams on YouTube nets an artist approximately \$690. **One million streams** on Spotify = approximately \$4370. One million streams on Apple Music = approximately \$7350. One million streams on Amazon Music = approximately \$4020. These kinds of figures barely cover the cost of recording an album – cheaply – and certainly don't represent a living wage.

Without costly marketing and huge effort

driving discovery, achieving a million song plays is beyond the capability of most independent artists. Many won't net this volume of listener traffic across their entire music career. At the same time, 'free' subscription options educate consumers not to place a value on music – to expect to consume the creative labour of our musicians at the touch of a button, but to also expect not to have to invest in it in any way.

Streaming has also made redundant the few remaining revenue streams for musicians - the sale of physical product (compact discs etc.) and digital downloads (being superseded by low cost streaming services). Live performance is now a far less viable income source for most local, original musicians, so the loss of revenue from recorded music is doubly impactful. Music streamed in our retail, commercial and hospitality spaces is predominantly international, so royalties that should be retained by our industry are instead flowing out of it.

87%

MUSIC WEBSITE TRACKRECORD NOTES THAT 87 PERCENT OF THE SONGS ADDED TO SPOTIFY'S POPULAR RAPCAVIAR PLAYLIST IN 2017 CAME FROM THE THREE MAJOR LABELS.



Musicians are consequently some of the most highly trained, but poorly paid workers in Australia. Research conducted by David Throsby and Anita Zednik for the Australia Council of the Arts showed that the median annual income of an Australian musician was around **\$7200** from their arts practice in 2010³.

In his posthumously published book, *Rockonomics*⁴, prominent American economist and White House advisor Alan Krueger, compares the music industry to the modern economy at large. In both cases, he argues, most of the earnings were going to fewer and fewer people at the top of the pyramid. He refers to this phenomenon as a 'tournament model', where the winners get most, if not all, of the profits.

Krueger wrote that there are roughly 200,000 professional musicians in the United States today, accounting for 0.13 percent of all U.S. workers. That percentage has remained largely unchanged since 1970, which is, in and of itself, telling. But what's even more telling is their average income of \$20,000 per annum, significantly less than living wage. This bears out Australian research, which shows the average wage of Australian musicians as even lower, comparatively, than their U.S counterparts.

The argument Daniel Ek, CEO of Spotify makes, is that digital distribution should make it easier for lesser-known artists to find listeners and get paid. He describes the Spotify mission thus:

"To inspire human creativity by enabling a million artists to be able to live off of their art."

This was one of the great promises of the digital era — that with unlimited access to digital platforms, an artist wouldn't have to be 'famous' to make a living. However current reality does not support this laudable promise. Social media and algorithm-driven recommendations instead appear to amplify the 'bandwagon effect', whereby popular songs become more popular by virtue of their popularity.

If music streaming is a tournament, there are some clear winners. Spotify's CEO Daniel Ek, whose net worth is estimated at \$2.2 billion, is evidently a major winner in the game of digital music industry disruption. Spotify's major investors, who gained significant returns on their initial investments are also doing well.

Similarly, the record labels have benefitted, with Spotify doing the hard work to rescue a flailing

3 https://www.australiacouncil.gov.au/workspace/uploads/files/research/do_you_really_expect_to_get_pa-54325a3748d81.pdf

4 Krueger, A. *Rockonomics*. A backstage tour of what the music industry can teach us about economics and life. Penguin House 2019.

industry, while also improving their overall valuations, and in the cases of the major players, netting them significant dividends from Spotify's recent public offering, as shareholders. Popular musicians, represented by the major labels are also well serviced, and music consumers gain access to massive catalogues of music at very low cost.

But the losers in the game of music streaming are 'the rest' of the world's music creators - the invisible, unsigned, independent and emerging original artists, of which there are multitudes. In the game of pyramid marketplaces, the notion of 'trickle down economics' systemically plays out similarly within streaming services as it does in neo-classical economics – the 1% prosper, and the 99% survive on the crumbs⁵.

Simply being able to upload music to a crowded global marketplace does not equal popularity. But in an industry where alternative revenue opportunities are fast diminishing, few other options are available to artists to gain any kind of exposure. Once music is uploaded to a streaming service, and is instantly and cheaply accessible, convincing consumers to access other routes to financially support the artists whose work they are consuming becomes a constant plea marketing battle for musicians. It is a classic catch-22, musicians can't survive without streaming, and can't thrive within it.

While independent artists can make their music available directly (to some platforms), or by using artist aggregators that have negotiated their own licencing arrangements with the streaming services, both individuals and aggregators (and independent record labels) are often offered less favourable rates than the major record companies, who have superior bargaining power.

There also seems to be an inverse relationship between the scaling of major streaming services (Spotify in particular) and per-stream royalty rates, which presents a challenge for niche artists who are

not set up for visibility in a purely consumption-driven environment. More music on a service, and more consumers accessing it for low, or no cost, does not drive up per stream fees for artists.

This is increasingly influenced by the fact that Spotify (and other streaming services) afford the three major labels and Merlin, an organisation representing aggregated independent labels, certain advantages such as marketing support and advertising inventory.

As an added 'bonus', the platform's major playlists reward the major labels. Music website TrackRecord⁶ notes that 87 percent of the songs added to Spotify's popular RapCaviar playlist in 2017 came from the three major labels. Forty-three percent of the songs were added to the playlist the day they appeared on Spotify, indicating that their inclusion was not based on the influence of music consumers, but on the purchasing power of record companies. Not surprisingly, these major labels, and Merlin, are all Spotify shareholders.

It is evident that while streaming offers some 'dumb luck' discovery opportunity for a lucky few, for the vast majority of music creators sitting outside of the major music label universe, diminishing revenues, invisibility on global platforms, and industry inequity represent the perfect storm.

If independent artists consistently struggle to earn a living wage from their labours the quality of our cultural capital is eroded; our ability to compete on a global stage is diminished; and scarce government investment is overextended or misdirected into unsustainable, competitive funding pathways.

Australian artists are creatively starving in an era of illusory musical prosperity, threatening the uniqueness of Australia's creative capital, and risking the already vulnerable health of our creative community.

5 Piketty, Thomas, 2014, 'Capital in the Twenty-First Century' Harvard University Press.

6 <https://trackrecord.net/spotify-rapcaviar-picks-the-hits-of-today-youll-neve-1820987911>

An Unhealthy Ecosystem meets a Policy and Funding Failure.

Cities that rate highly against liveability indicators⁷ have strong night-time arts economies and assess cultural capital and arts tourism as a valuable domestic product. Technology, appropriately applied, can enhance connected, sustaining cities – but digital disruption can also present a barrier to entry.

It is clear that the Australian Music Industry is under threat. What is less clear is why current governments continue to approach a 21st Century problem with a (mid) 20th Century mindset.

The most recent Federal budget demonstrates that support for the music industry is being approached with little vision or integrated strategy, benignly ignored, or worse, deliberately underfunded between elections, and only elevated to policy discussion in election years when proactive arts workers remind the major parties that the arts, are in fact, a valuable economic product, and a decent sized voting community. This lack of creativity or integrated thinking around investment in the music industry sees the arts reduced to a commodity, an economic product, with no focus on their wider socio-cultural value⁸.

Almost a decade of systemic funding cuts to arts organisations and economic downturn has seen the live music industry sink into malaise, with Sydney-siders decrying the ‘death’ of live music as a result of pro-gambling venues, pro-development lock-out laws and

prohibitive festival regulation, and original Western Australian artists barely able to find a handful of venues that will pay them to play.

Even post the recent Federal and NSW Parliamentary Inquiries into industry sustainability, the almost predictable response to this ecosystem decline is to provide funding to venues to upgrade facilities and provide better equipment. However, what the industry knows, but governments fail to acknowledge, is that investment into venues and infrastructure does not guarantee income to artists.

This approach is the political equivalent of putting a band-aid on cancer. It does not address the illness, nor its attack on the holistic system – it simply hides the oozing exit wound.

While a focus on live music is important, it only addresses one part of the broader ecosystem, and fails to acknowledge the equally damaging economic impacts of digital disruption and the global streaming of recorded music. **This is, in effect, a major policy failure in the making.** Both sides of politics are currently blind to music streaming as an issue to be addressed in Australian music policy or funding.

The short-term political imperative to be seen to be ‘doing something’ immediate and concrete is understandable. Approaching funding from a systemic perspective and addressing the complex, integrated nature of the industry, its interdependent marketplaces

⁷ https://creative.vic.gov.au/__data/assets/pdf_file/0004/56758/Role_of_ArtsnCulture_in_Liveability-AV_submission_VCEC_liveability-2.pdf

⁸ <https://theconversation.com/missing-in-action-a-vision-for-the-arts-in-the-2019-budget-114816>

and the parallel threats to these is far harder to communicate to the wider public and the music community than highly visible investments into venues and recording. Regardless, the music industry is an ecosystem as rich as any other industry, wherein no one part can exist without the other.

Political preoccupation with funding for music industry ‘infrastructure’ represents a short-sighted, uncreative approach to arts funding. It fails to appreciate diminishing audiences in the face of instant (inexpensive) home entertainment, growing social anxiety and a perceived lack of patron safety in many music venues. It fails to factor in the dearth of enforceable ‘fair play’ policy around minimum performance fees and undercutting behaviours across the industry. It fails to acknowledge that there is a culture of cronyism and sexism in the venue bookings and festival management space, and an entrenched culture of general artist exploitation in many live music venues and festivals.

The alternative of providing direct funding for the recording of new music falls into the same fallacy of an overly simplistic intervention in the system. Although well-intentioned it is largely meaningless if there are no viable avenues for musicians to sell their recorded product. This simply represents an investment with no return. No venture capitalist would invest in a product without a market fit, but in effect, that is exactly what this intervention suggests.

While calling for voluntary quotas of Australian music on commercial radio, and even on streaming services (largely unenforceable, by virtue of anti-competition laws) may go some way toward propelling a lucky few more artists towards elusive financial freedom, it cannot redress global streaming impacts on industry revenue potential. This may be an improvement on other ineffective solutions, but only marginally so.

So, while taking these interventions to be individually and collectively, better than no intervention at all, not holistically addressing these systemic disruptions is not an option when the vibrancy and viability of the Australian music scene is at stake.

In a war where our industry is besieged from all sides by technology and digital disruption, we have brought our knife to a gunfight. We’re attempting to address the digital, with the traditional. We are allowing global streaming giants to reap the benefits of largely unpaid Australian arts labour, while we watch our creative culture erode in the face of insurmountable economic pressures.

It is time now to approach the Australian music industry as a whole, to take a systems-thinking approach and to focus not on doling out band-aids, but on healing the system. Governments could take this opportunity to tap into the multiple social and economic benefits of a healthy music industry. We could up-skill ourselves for a digital age, and approach arts funding as though we were living in the 21st Century. We have an opportunity to play the game differently.


We have an opportunity to fight tech with tech – to come out swinging against the giants, and to address their impacts using their own disruptive technologies.

This will take more than Parliamentary Inquiries and reports to be summarily shelved – it will take a creative meeting of minds across an entire industry. It will require a decadal commitment, a re-thinking of funding and real-world models of support, and an intellectual shift around valuing local, artistic product.



Almost a decade of systemic funding cuts to arts organisations and economic downturn has seen the live music industry sink into malaise.




We have an
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It is time now
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Approaching music policy and
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our future.

Through Smart Cities and Suburbs funding, through Cooperative Research Centres, through Industry Acceleration opportunities, through well-planned seed funding and investment in arts tech and innovation; governments could support a floundering industry – however these funds are routinely directed into STEM related industries, and into agriculture, mining and resources research.

The arts are conspicuously absent from current Australian Research Priorities and funding at any meaningful level, and therefore devalued despite having major social, health, economic and cultural benefits. In 2013, a large-scale review of 400 research papers on the neurochemistry of music found that music can improve the function of the body's immune system and reduce levels of stress⁹. Since global research consistently demonstrates the value of music for physical and mental health, for socio-cultural benefits and for economic growth, this is short-sighted policy at best.

Concurrently, traditional government arts funding is also missing the mark, by being 'traditional' in both its application and its vision. Australian arts funding bodies seemingly have a similar vision to our Innovation and Research agencies – that arts and

innovation simply don't mix.

We have an opportunity to put scarce government funding to use in creative ways – to fund incubators and new enterprise in the arts tech industries, to up-skill musicians in the dark arts of digital marketing, to build engagement with tech based arts innovations - live gig streaming, online community connection systems, localised music streaming.

We also have an opportunity to invest in our music advocacy bodies and the coalitions of forward-thinking cultural organisations working to address the whole music ecology, who are more intimately integrated into the fabric of the music industry than governments currently are - and without active arts research prioritisation, perhaps than they will ever be.

We are living in the digital age. We are the generation who may never again play a cassette, or spin a CD, other than for a nostalgic road-trip to times gone past.

Approaching music policy and funding in the same way we did 20 years ago is simply not appropriate to the soundscape of our future.



3 Global Streaming Impacts: Industry and Individual Health.

In the absence of an integrated, systems-thinking approach as outlined above, what impacts might we expect for the creatives and arts workers who are the lifeblood of our music industry? Threats to the traditional local music ecologies include transnational digital and other media, rapid social change and urbanization¹⁰. These threats are not only financial; they can also be mental, emotional and physical. There is a plethora of research that expands on these impacts.

An estimated three million Australians are currently experiencing depression or anxiety – 12.5% of Australians as estimated by the most recent census. This already concerning percentage however is considered to be far higher in musicians as a discrete community, estimated at up to 65%¹¹.

While there is obviously a much larger population of people not involved with music than there is of active music creators or workers, this high, sector specific percentage is alarming.

These figures are supported by an In October 2016 study by Entertainment Assist and the College of the Arts, Victoria University, into Australian entertainment workers and mental health. The study found that 25% of musicians and over 50% of industry workers have attempted or considered suicide and that on average, musicians have shorter lifespans than their non-musical counterparts¹².

Additionally, the study discovered that musicians earn over \$30,000 less than the average Australian salary, however, this figure averages across the industry including the small percentage of high earning, ‘famous’ Australian musicians which skews the average significantly, and as previously noted, when applied only to unsigned, original artists presents an even more dire reality.

Interviews with 2,904 respondents across the country found that, when compared with the general population, entertainment workers, which include performers, industry support workers and technicians, experience:

- 1** double the rate of suicide attempts
- 2** ten times the rate of moderate to severe anxiety symptoms
- 3** five times the rate of depression symptoms
- 4** 2-3 times the rate of suicide ideation

In November 2016, Help Musicians UK, a charity dedicated to musicians of all genres, published a study titled *Can Music Make You Sick?* Interviews with 2,211 music industry professionals revealed that they are three times more likely to suffer anxiety or depression than

10 Seeger, Anthony. 2013. Ecomusicology: Music, Culture, and Nature in the Mix. Lecture given at Monash University, Melbourne, November 14. <http://www.abc.net.au/radionational/programs/intothemusic/eco-musicology----newdirections-in-documenting-tradition/5131924>

11 <https://musicaustralia.org.au/2017/07/mental-health-and-the-australian-music-industry-a-round-up/>

12 <https://apo.org.au/sites/default/files/resource-files/2016/10/apo-nid121961-1176281.pdf>

the general public. 71.1% of respondents reported having experienced high levels of anxiety and/or panic attacks, while 68.5% said they had experienced depression¹³.

The report brings together the final findings from a landmark study on mental health within the music community, exploring how working conditions can impact individuals' well-being. Money worries, poor working conditions and competition / bullying are among the leading contributors to mental health problems in musicians, including those working in theatre, the research has confirmed¹⁴.

So, what is being done to address these impacts? Organisations like Entertainment Assist are striving to promote the enhancement of mental health and wellbeing in the Australian entertainment industry. Similarly, Support Act Australia is a charitable organisation which helps Australian musicians and music workers facing mental health issues and other hardships. These organisations acknowledge the difficulty of accessing support services for artists earning below minimum wage from their chosen profession.

There will always be a place for providing support for artists experiencing mental health concerns, but in line with a systems approach, as it is noted that financial instability is one of the leading causal factors for mental health issues in musicians, addressing the economic pressures and hardships at the core of these mental health concerns is a preventative measure that could reasonably be expected to decrease reliance on these services, and on the health care system more broadly.

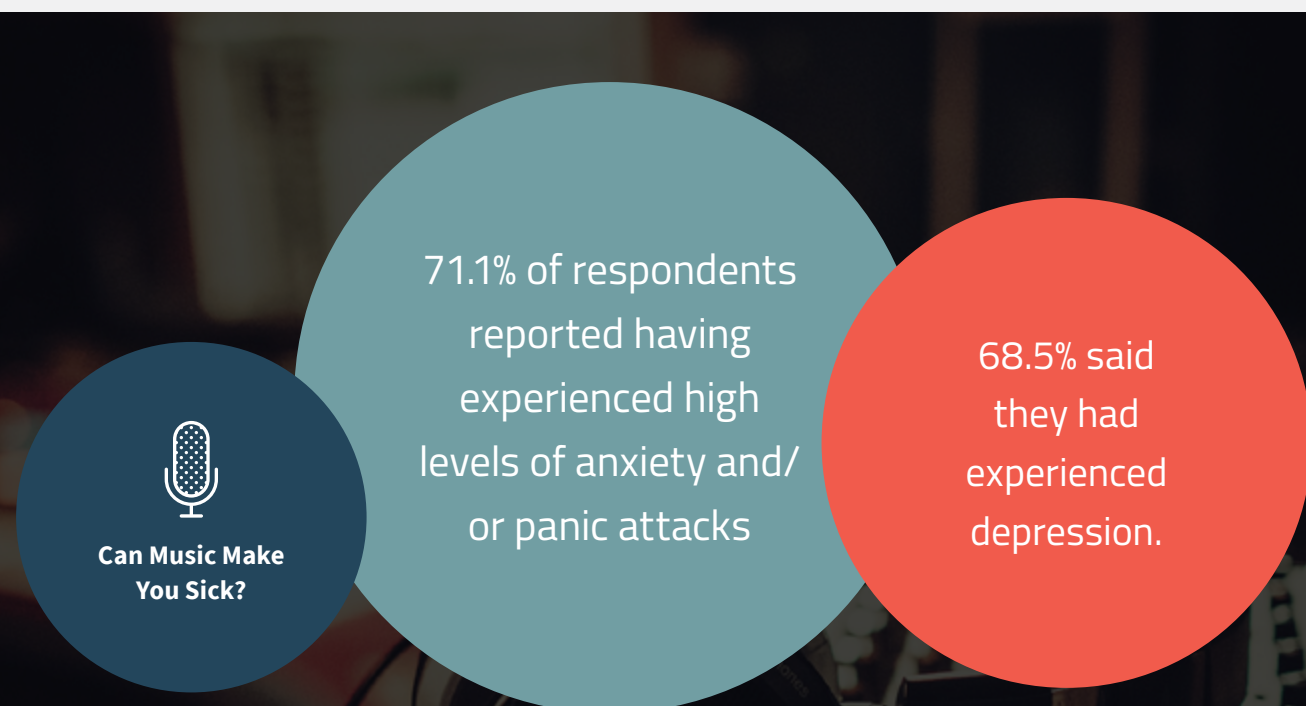
Beyond the personal and socio-cultural cost of mental illness and its comorbid physical health impacts, there exists the substantial economic costs of health care, welfare and lost productivity.

Analysis in a report commissioned by RANZCP and the Australian Health Policy Collaboration at Victoria University (AHPC)¹⁵ estimates the annual cost of premature death from comorbid mental and physical health conditions in people with serious mental illness is \$15 billion (AUD). These figures increase when the burden of substance abuse is included; ballooning to \$45.4 billion.

13 <https://www.musicmindsmatter.org.uk/the-study/>

14 https://www.helpmusicians.org.uk/assets/publications/files/can_music_make_you_sick_part_1_-_pilot_survey_report_2019.pdf

15 <https://www.ranzcp.org/files/publications/ranzcp-serious-mental-illness.aspx>



A clear economic argument can be made for increased investment in mental health care. Cost-of-illness studies attempt to measure the costs to various stakeholders, including government and society as a whole, of the burden of disease arising from particular causes. Most of these studies estimate and aggregate a number of different components of cost including direct health costs arising from treatment, hospitalisation, rehabilitation and medication and indirect costs due to the loss in economic activity caused by the lower workforce participation, increased absenteeism and presenteeism of people suffering mental illness. While it is an inexact science, and there are a large number of determinants to consider, what is not disputed is that the cost of mental illness to the health care system and to Australian society at large is significant.

Using just one example, psychosis, the average annual costs to society are estimated at \$77,297 per affected individual, comprising \$40,941 in lost productivity, \$21,714 in health sector costs, and \$14,642 in other sector costs. Health sector costs are 3.9 times higher than those for the average Australian.¹⁶

When measured using the Global Burden of Disease data the cost burden of serious mental illness in Australia in 2014 was estimated to have been A\$98.8 billion if opioid dependence is included and A\$56.7

billion if this is excluded.¹⁷

Given the economic burden of mental illness, and the increased comparative rates demonstrated within the music and arts communities, there is a clear case for investing in preventative mechanisms that address the major causes and exacerbators of mental illness in this group, particularly as there are some basic policies, strategies and funding mechanisms that could be simply deployed, and represent a rational fiscal response.

It is acknowledged that social enterprise can address economic inactivity by giving marginalised workers opportunities to join the labour market. This can also apply to the music industry.¹⁸

Social enterprises are a good fit with the creative nature of the music industry. To improve the livelihoods of people, the importance of locality to the music industry, and the tension between creativity and financial return must be reflected.¹⁹

It is vital for the health of the music industry that the impact of global streaming services on artistic viability is both acknowledged and addressed, and that a focus on circular (arts) economies and cultural localisation is returned to both government policy, and individual practice.

16 Neil, AL, Carr, VJ, Mihalopoulos, C, Mackinnon, A & Morgan VA 2014a, 'Costs of psychosis in 2010: Findings from the second Australian National Survey of Psychosis', Australian and New Zealand Journal of Psychiatry, vol. 48, no. 2, pp. 169–182.

17 Walker, ER, McGee, RE & Druss, BG 2015, 'Mortality in Mental Disorders and Global Disease Burden Implications: A systematic Review and Meta-analysis', JAMA Psychiatry, Vol. 72, No. 4, pp. 334–341.

18 Cato, M; Arthur, L.; Smith, R. and Keenoy, T. (2007). 'So you like to play the guitar? Music-based social enterprise as a response to economic inactivity.' Social Enterprise Journal, 30 March 2007, Vol.3(1), pp.101-112.

19 Ibid.

4 Global Streaming Impacts: The Local Economy.

Addressing the major social, cultural and environmental challenges of our time will require a global shift in thinking. Music can, and does, play a pivotal role in this. Music is a powerful means of connecting people. It bridges linguistic and cultural divides and is a vehicle for identity and expression. When healthy, the music ecosystem generates rich social, cultural and economic benefits.

A recent report, *The Mastering of a Music City*²⁰, by the global music industry body, IFPI, and its affiliate Music Canada, investigates the value of music to cities as both a cultural and economic product.

Its overall conclusions find that a vibrant music economy drives value for cities in several important ways. It fuels job creation, economic growth, tourism development and artistic growth, and strengthens a city's brand. A strong music community also attracts highly skilled young workers in all sectors for whom quality of life is a priority. This in turn attracts business investment and innovation.

Many have quantified the value of music to local economies. The *2013 Nashville Music Industry Report*²¹ found that the music industry helped create and sustain more than 56,000 local jobs and contributed USD 5.5 billion to the local economy. In Melbourne, the 2012 census found that the live music sector alone generated over AUD 1 billion in spending and supported the equivalent of 116,000 annual full-time jobs. Similarly, UK Music estimated that in 2013 music directly

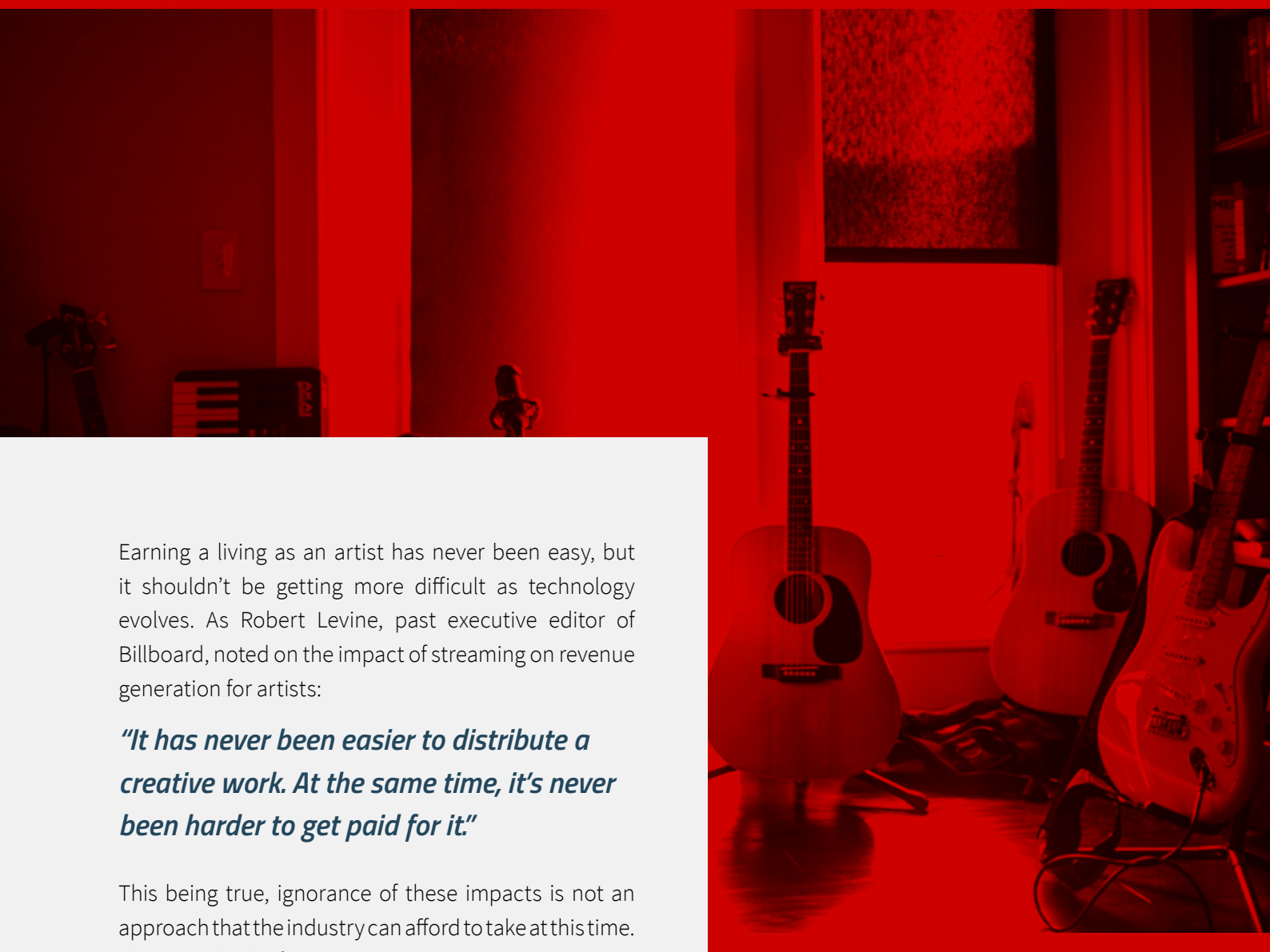
contributed GBP 3.8 billion to the UK economy and directly employed 111,000 people. There are countless industry reports and research papers documenting the industry's positive impact on local economies.

However, urban renewal for liveability is not just about the provision of connected infrastructure and technology – it is about creating cities for people – vibrant cities that attract and retain thought leaders, cultural innovators, artists and visionaries. To do this, cities must create an enabling environment for these minds and drive their attraction and retention with real, viable revenue generation opportunities. The bottom line – artists who cannot earn a living in a place will not make that place their home.

A recurring criticism of Perth by local artists is that they have to leave Western Australia in order to follow their music career. This applies across genres – from classical and jazz, to contemporary music. The phrase 'artistic exodus' might describe this phenomenon. Artists seeking a financially feasible and creatively fulfilling career simply don't consider Perth a viable option, and look to larger, more innovative, liveable cities, like Melbourne, to foster their growth. As 20-30-year veterans of the music industry in Perth, The Pack's Founders have seen this phenomenon denude our creative capital count with colleagues and artists moving interstate or overseas; and anecdotally, have observed average minimum performance fees for live music stagnate, if not decline over that time.

20 <https://www.ifpi.org/Mastering-of-a-Music-City.php>

21 <https://www.nashville.gov/Portals/0/SiteContent/MayorsOffice/EcDev/NashvilleMusicIndustryStudy.pdf>



Earning a living as an artist has never been easy, but it shouldn't be getting more difficult as technology evolves. As Robert Levine, past executive editor of Billboard, noted on the impact of streaming on revenue generation for artists:

"It has never been easier to distribute a creative work. At the same time, it's never been harder to get paid for it."

This being true, ignorance of these impacts is not an approach that the industry can afford to take at this time. There is a lack of transparent, strategic measurement and monitoring of Australian cities' cultural and social data to activate impactful investment in the arts, and particularly the music industry. There is also a lack of understanding around the impact of global streaming services on local music economies. These two things need to be acknowledged, and addressed, in concert.

Confronting these challenges will enable our cities to better position themselves to engage with local arts in meaningful ways, in the places and spaces where they are best received, and to build a cultural legacy that Australia can not only enjoy, but financially and socially value through location based arts tourism as a vital part of a post mining boom, knowledge-based economy.



The paradox of choice, 'real' engagement and homogenisation.

Spotify and other prominent streaming services have divorced the listening habits of individual users from the allocation of the money that each pays for the service. Instead of dividing a given listener's subscription across the artists he or she has streamed, funds are pooled and distributed on the basis of aggregated play counts across the platform, taking any direct control an artist might have over his or her earnings via personal intervention off the table. Individual dividends fluctuate based not only on an artist's own performance, but on the performance of artists across the platform – in short, the better their colleagues and competitors do, the less money an artist makes.

This sets up an inequitable, competitive system between artists, and simultaneously disempowers listeners. There is significant research around the 'paradox of choice'²² which signals that too much choice, and access made too 'easy' might not necessarily lead to more meaningful engagement.²³

As an example, the amount of data Spotify collects is significant. We know that there are now over three million artists on the service who release approximately 20,000 new pieces of content every day. Balancing this, a typical Spotify user spends 49 minutes a day on the service, increasing to 80 minutes for Premium users. With 159 million monthly active users across 65 markets, that engagement generates three billion music-related interactions per

day, including an average of over 330 million daily 'discoveries' (i.e. a user listening to a particular track or artist for the first time). The numbers are vast.

But while the major streaming services promote themselves as enhancing discovery on the back of these figures, that's not entirely accurate. What they enhance is access and automation. They give consumers endless choice. But sheer volume, coupled with minimal friction, does not necessarily increase meaningful engagement with music. In fact, just the opposite.

Artists have criticised Spotify's interference and commodification of users' listening habits, describing it as creating a new 'gatekeeper' in the system, engineering yet another barrier to entry for independent artists. Writer Liz Pelly described this phenomenon as "the automation of selling out."²⁴

A recent study by streaming analytics company, Chartmetric, found that Spotify's context-driven playlists (i.e. those defined around a specific mood or activity, like chill-out or jogging, or around a time-specific event, like Christmas) have significantly higher follower counts than content-driven playlists (those focused more on specific genres, languages or geographies). Annual follower gain for context-based playlists also outpaced content-driven ones at 84.6 percent versus 62.3 percent, respectively.²⁵

22 https://www.ted.com/talks/barry_schwartz_on_the_paradox_of_choice

23 <https://www.nytimes.com/2010/02/27/your-money/27shortcuts.html>

24 <https://thebaffler.com/salvos/the-problem-with-muzak-pelly>

25 <https://blog.chartmetric.io/spotify-the-rise-of-the-contextual-playlist-c6f2c26900f4>



With the interference of algorithm influenced content and recommendations, users have incredible, almost overwhelming choice, but it is coupled with a lack of emotional, or even physical investment in that choice. The consumption of music is becoming automated, and as such, made superficial, and passive.

As music ‘choices’ become less deliberate, and consumers become disengaged from discovery; they are more likely to simply accept automated recommendations based on previous preferences. They are also more likely to be influenced by others whose preferences they value, whose ‘taste’ will therefore influence their own. Just as Facebook generates echo chambers of opinion, so too does Spotify create echo chambers of music consumption.

Digital strategists have named this streaming-induced phenomenon ‘lean back listening’. It has created a new type of music consumer, one less concerned with artists or albums, and more driven to connect with generic emotions, moods and activities.

This automated ‘group think’ removes the active individualism from the process of music engagement. It strips from consumers that unique feeling of having ‘discovered’ a new artist and having interacted with that discovery in a meaningful way (i.e. having valued, and paid for, that discovery). Coupled with the streaming ideal of ‘free’ music, it undermines

the cultural value of music ownership. Spotify works with over 200 petabytes of data to manage these personalisation products (perhaps more aptly named ‘de-personalisation’ products), more than five times that of its nearest competitor.

This in turn disadvantages emerging and independent artists, who can’t organically attract huge numbers of casual fans, or rack up passive listens through increasingly influential AI curated playlists (often bought and paid for by large labels). Independent artists and rights holders have less control over the discovery of their music on streaming platforms, and fewer alternative options on which to sell or promote their recorded product.

It also changes the creation of music itself. In the pay-per-stream model, played out in a crowded marketplace (Spotify boasts over 35 million songs), artists are motivated to accrue spins, rather than genuine followers, by any means necessary. Research shows that artists are responding to this financial incentive by releasing shorter songs more frequently²⁶, while music not conforming to norms of radio-friendly consumption gains less traction.

We are concerned that this will ultimately lead to homogenisation and diminishing uniqueness. If an artist is afforded the same tiny fraction of a cent per play for a two minute song, versus a five minute

26 <http://fortune.com/2019/01/17/shorter-songs-spotify/>



Pelly's article, *The Problem with Muzak*, argues that the influence of algorithms on discovery is homogenising the creation of music.



song, the financial incentive to create anything longer disappears.²⁷ If an artist is only likely to generate streams by using formulaic songwriting techniques²⁸ and conforming to popular norms, the incentive to be creative and innovative further diminishes.

Pelly's article, *The Problem with Muzak*²⁹ also argues that the influence of algorithms on discovery is homogenising the creation of music. It compares this phenomenon with Muzak, a commercially driven enterprise that created, programmed, and licensed songs for retail stores throughout the twentieth century in order to drive productive worker and consumer behaviours. Pelly argues that "The similarity between the objectives of companies like Muzak and Mood Media, and the proliferation of mood-based playlists on Spotify, is more than just a linguistic coincidence; Spotify playlists work to attract brands and advertisers of all types to the platform."

Like all consumer marketplaces, streaming is no stranger to market forces, and it is reasonable that streaming services, all of whom rely to some degree on advertising revenue as a means to ensure survival, would court favour with brands and sponsors. However, it seems that the direct influences of these brands may not be immediately obvious to artists, listeners or the music community at large, and as such pose invisible threats to an already precariously unbalanced industry.

We, like Darren Hemmings writing for the *Industry Observer*³⁰, see these issues as major impacts on the music landscape, but we do not see them as insurmountable. In fact, we see them as an opportunity to reimagine the streaming business model to address some of the core issues the technology has, perhaps inadvertently, created.

27 <https://qz.com/1519823/is-spotify-making-songs-shorter/>

28 <https://nypost.com/2015/10/04/your-favorite-song-on-the-radio-was-probably-written-by-these-two/>

29 <https://thebaffler.com/salvos/the-problem-with-muzak-pelly>

30 <https://theindustryobserver.thebrag.com/music-streaming-services-are-gaslighting-us-op-ed/>

SOLUTION — THE PACK AUSTRALIA

1 Social Enterprise meets Digital Disruption – Streaming for Social Good.

To address the many impacts of global music streaming, The Pack Australia is building a **music streaming social enterprise** dedicated to making a long-lasting, positive financial and social impact on local music ecosystems. We describe ourselves as: “Streaming... but with a social conscience”.

Our purpose is to create a music streaming service that does something no other provider internationally or locally has done – which is to forge mutually beneficial, viable and transparent connections between local businesses, local listeners and local musicians, with the support of local, State and Federal government.


The Pack understands that music streaming is here to stay – so instead of swimming against the tide, we’re using digital disruption as both our driver and our platform, but building a very different business model from the current players in the streaming sector.

We’re fighting ‘tech with tech’, disrupting

the current accepted system of money to labels, distributors, shareholders and CEO’s; localising what major streaming services have globalised, and redirecting sustainable revenue streams back into the local arts economy.

A key element missing from global streaming models is local community connection. As previously noted, while these platforms provide a valuable distribution opportunity for listeners to access a huge volume of music and diversity of artists – they create no personal connection between the artists and their listener community. The Pack aims to address this and improve community connections to increase artist viability.

For local, original artists this will mean that their recorded music is played in the spaces and places that they live, work and play. It will mean that in local businesses, local artists are profiled. It will mean that within local government areas, local artists are collecting



We're creating a
'community' model,
where our artists are
valued content creators,
users and beneficiaries.

The Pack Australia

(and spending) local money. It will mean real, convertible exposure, real, active data and real, local fans.

Through a social marketing approach that engages citizens in becoming active in the health of their local arts and business communities, we intend to change the rhetoric from 'music as commodity', to 'music as cultural expression and community connection'; driving engagement in the burgeoning 'buy local' economy, tapping into the conscious consumerism

trend and encouraging social cohesion, localisation and connectedness in our communities. We intend to push back on market forces and globalisation, and engage a new generation of consumers in a cultural revolution for the health of the industry in their favourite space, online.

We're creating a 'community' model, where our artists are valued content creators, users and beneficiaries – not just an exploitable commodity or economic product.

2 Key Differentiating Factors – What Makes The Pack Work?

Our Unique Value Proposition is different to most – in that we're about **innovation, redistribution and social return on investment**. We're looking for real opportunities to provide a locally viable counterpoint to a system that has, perhaps inadvertently, created an invisible inequity in the music industry.

As a social enterprise, instead of inadequate streaming fees, 40% of The Pack's revenue will be distributed directly to artists on the basis of their play data and their listener base. This figure will remain the same (or increase) as The Pack scales and will promote fairness and equity in the industry.

To follow are some of the key differentiating factors that make The Pack Australia a standout in the digital music space.

Costs and influences on the service.

The major global streaming services are already at a significant disadvantage. The music industry is dominated by major record companies, and the success of streaming services is dependent on the terms of their negotiations with these companies. These favour neither the sustainability of the services themselves (although some, like Apple and Amazon, are able to offset their streaming losses against other popular products), nor the huge numbers of independent artists attempting to benefit from the systems, as the lion's share of revenue and recognition goes

back to the artists represented by those major labels.

Major streaming services have struck costly deals with the major record companies whereby they pay millions of dollars in licencing for access to a record company's catalogue of music. These agreements also require the streaming services to pay a small amount of money every time a song is streamed. This money is shared between the record companies and artists in proportions specified by the recording contracts they have signed – the streaming services do not influence how record companies and artists divide this money. This model favours record companies, as the large upfront access fees they earn do not have to be shared with artists.

The three major music labels (Sony BMG, Universal and Warner) made \$6.93 billion combined from streaming in 2018, or more than \$19 million in daily streaming revenue. Broken down further, the trio of labels generate nearly \$800,000 per hour from music streaming services alone.

These labels then take as much as 80% of streaming earnings as part of traditional record deals. More popular artists, with enough leverage to negotiate a more favourable royalty split are still likely to share no more than 50% of their own music revenue. The labels, in essence, get two, very large, bites of the cherry.

So, the single, biggest cost for most major, global streaming players is the royalty fees



paid to major music labels and their 'signed' artists, and while Spotify boasts that 70% of revenues go back to rights holders as royalties; who holds those rights is the real issue.

Additionally, there are a range of variable costs, including bandwidth and streaming costs, which increase as more people access the service. Given these thin margins, when other essential costs such as marketing, product development, advertising and administrative costs are factored in, the long-term viability of the business looks doubtful.

While The Pack seeks to distribute 40% of royalties to rights holders, we support **only local, original, unsigned artists** - and therefore have no major labels, record companies or third-party distribution companies to pay.

The Pack has few, if any, licensing fees to manage, other than standard APRA AMCOS fees, which while substantial, are not insurmountable.

Sources of revenue and diversification.

Most of the major streaming services take a hybrid approach to music streaming by using both a free, ad-supported version and a subscription-based premium version. These two products generally make up almost the entirety of their revenue stream, with advertising making up around 10% while subscription fees account for almost 90%.

This heavy dependence on subscription fees as the main source of revenue places the businesses in a difficult position in terms of being able to respond and survive any major changes to that revenue stream.

Current statistics show that while Spotify's subscriber base continues to grow, by mid-2018, the company had a staggering 180 million monthly active users, but of those 83 million were premium subscribers – less than half of Spotify's users are paying for the service. Paying subscribers are essentially subsidising the free consumption of music by almost 100 million people.

As The Pack is a membership only business there are no 'free' subscription options, as the premise and purpose of the social enterprise is that everyone signed up to The Pack is a patron of the arts, and their membership represents a conscious contribution to the health of their local music industry.

The Pack also operates in a 'three-sided' marketplace - wherein revenue streams are derived from the community (individual listeners), business members and musicians / bands via a range of different membership options.

Localised advertising revenue and an 'in business' interactive jukebox model are also valuable revenue streams, so diversified revenue and lack of interference by labels, record companies and third-party distribution agencies means that profit is, actually, profit.

Music licensing and business.

Most businesses and organisations use music in some way and APRA AMCOS (and other Performers Rights Organisations, or PROs) licence these businesses and organisations to use that music.

While these PROs act in the best interests of musicians within the limits of their capacity to do so, it is unclear exactly how much of the money collected by APRA AMCOS (and others) stays in Australia and New Zealand, as much of it is paid in the first instance to the local offices of multinational music publishers. They might represent a mix of local and offshore songwriters and might pay each creator a different share of royalties depending on their deal.

APRA AMCOS states that 60% of licence fees collected are paid to local songwriters, composers and music publishers. It also acknowledges that this figure includes payments to local publishers for international works (i.e. the local publishers would then on-pay a portion of that revenue to another publisher overseas).

It's also important to note that APRA AMCOS is currently limited in its ability to obtain real-time data from the businesses they licence; as the tracking of this information is fragmented and complex. Instead they distribute royalties to proxy sources such as radio, streaming services and music recognition technology.

Ultimately, the amount of licence fees distributed overseas is determined by the amount of overseas music consumed in Australia, which is exactly what The Pack wants to change.

While directly influencing the volume of Australian music consumed in Australia is not within the licencing agencies' remit – it is The Pack Australia's sole purpose. The Pack will also ensure that real-time play data is communicated directly to our Performer's Rights Organisations, so that every artist who gets played, gets paid and so that the measurement and monitoring of Australian music is made simpler for our PROs to manage.

The Pack wants to see local business using local music, and to track these interactions to provide our valuable Performer's Rights Organisations real-time play data for Australian music, to ensure that royalties are going directly back into the Australian music industry and not being funnelled offshore to the major labels, who already benefit from streaming revenues in a significant manner.

Music & Business.

The legalities

Every business knows the value of a well-crafted customer experience, but not every business owner is informed of their rights and obligations with regards to playing recorded music on their premises.

As noted above, when a business uses music publicly, for whatever reason, it is obligated to pay for the right to do so. Most businesses understand this. However, what is less well understood is the fact that the 'Premium' memberships of most streaming services, Spotify and Apple Music included, only cover these rights for personal use, so using personal playlists, from personal streaming memberships, is essentially illegal in a public setting. Spotify's user agreement for this product clearly states that only personal use is permitted.

Some streaming services now offer a membership for businesses, which specifically allows for the public use of the services, however this does not exempt businesses from paying the Performer's Rights Fees as appropriate.

While some businesses argue that this is mercenary on behalf of both the rights collection agencies and the streaming services, one might equally argue that, fundamentally it represents an ideological issue. Using a personal service, designed to distribute music to one listener (or a family service, designed for small groups), is very different from paying one small, per month personal licencing fee and distributing that music across hundreds, potentially thousands of customers per week. It creates distinct equity and revenue issues for artists. In a sense, it is tantamount

to photocopying a book and then distributing that book to hundreds of thousands of people, without paying any money to the author – it is, in ideology if not in reality, an infringement of copyright.

Additionally, if the service is unable to track where their product is being used (i.e., if there's no way to determine whether or not a personal membership is being used in a shop, office, small bar etc), then there's no way to police this use, and no fair way to distribute the royalties that the artists, whose creative product is being used as a marketing tool for these businesses, are entitled to.

The impersonal nature of algorithms

As previously noted, many streaming services provide a wide range of mood or activity specific playlists and some are marketing these as perfect for use in businesses who want to create an 'atmosphere'. However, music curation for business is a far more

exacting practice, and in these modern times, when differentiating one's business from competitors is key to sustainability, opting out of deliberately creating a business specific sound, while convenient, might not be a winning brand strategy.

There are significant volumes of marketing research around the influence of music on customer behaviour³¹ and buying habits.³² Simple changes in environment can significantly alter customer interactions. Kotler first coined the phrase 'atmospherics' in 1973. The study explored the hypothesis that it was not only the desire for a product itself that prompted purchase, but that the environment in which the product is displayed played a role in influencing consumer behaviour. He used the term atmospherics to describe the process of designing sales environments to produce specific emotional reactions in customers, to enhance their attraction, retention and increase probability of purchase.³³

31 <https://www.audiosocket.com/blog/customer-behavior/>

32 <https://www.audiosocket.com/blog/consumer-buying-habits/>

33 Kotler, P. (1973). Atmospherics as a Marketing Tool. *Journal of Retailing*, v. 49, p. 48-64.



**THE PACK AUSTRALIA IS CREATING
A NEW WAY FOR LOCAL BUSINESSES
TO SUPPORT THEIR LOCAL MUSIC
INDUSTRY, WHILE ALSO CREATING
A PERSONALISED CUSTOMER
EXPERIENCE FOR THEIR VALUED
CLIENTELE.**



We will support our local businesses to promote themselves as local music advocates.

Field studies have often demonstrated the relationship between atmospherics (specifically music) and money and time spent in businesses. Results consistently show that music curated appropriately for specific spaces enhances customer experience, and therefore increases sales probability.³⁴ As a low-cost marketing tool, music can be invaluable. Of course, while appropriately curated music can enhance customer experience, poorly chosen music can do just the opposite.³⁵ This being true, allowing algorithms to automate the curation of business specific playlists seems neither practical, nor profitable.

This method of selecting business specific music cannot adapt to its customers, nor to the ever-changing nature of the business environment itself. The business environment can change seasonally, monthly, weekly, even daily. The music that provides the atmospheric backdrop for a slow morning, would not reasonably be the same music employed during busier times of the day. In short, the method of selecting music for business should not be left to chance, or to machine learning.

But what if a business' customer experience could

actually be curated by its customers? The Pack wants to support our local business community by putting their treasured clientele in control. This might seem like risky business, but we feel that by creating opportunities for customers to influence the music played in their favourite businesses we can build trust and reciprocal value, and businesses will benefit from increased 'in store' retention and interaction, repeat business and ultimately, sales.

The Pack will enable business' clientele to provide them with data on their preferred music listening choices, and as the streaming platform evolves, this will eventually lead to local, original playlists curated algorithmically, but tailored from real customer preferences, not anonymous 'moods' or 'vibes'. For businesses with multiple premises, The Pack will enable site data tracking and comparative analysis.

In an era where 'buy local' is a common catch-cry for everything from groceries to clothing, The Pack Australia is creating a new way for local businesses to support their local music industry, while also creating a personalised customer experience for their valued clientele. Win-Win-Win.

34 Vaccaro, V. L.; Vucetepe, V.; Ahlawat, S.; Lee, M. – s. (2011) The relationship of liked music with music emotion dimensions, shopping experience and return patronage intentions in retail and service settings. *Journal of academy of business and economics*, v. 11, n. 4, p. 94-106.

35 Andersson, P., K.; Kristensson, P.; Wästlund, E.; Gustafsson, A. (2012) Let the music play or not: the influence of background music on consumer behavior. *Journal of retailing and consumer services*, v. 19, n. 6, p. 553-560.



We will support our local businesses to promote themselves as local music advocates. When a business is a member of The Pack - everyone will know it - and will know that that business supports our local music industry by playing and profiling local artists.

Other risks to business.

Limited revenue streams

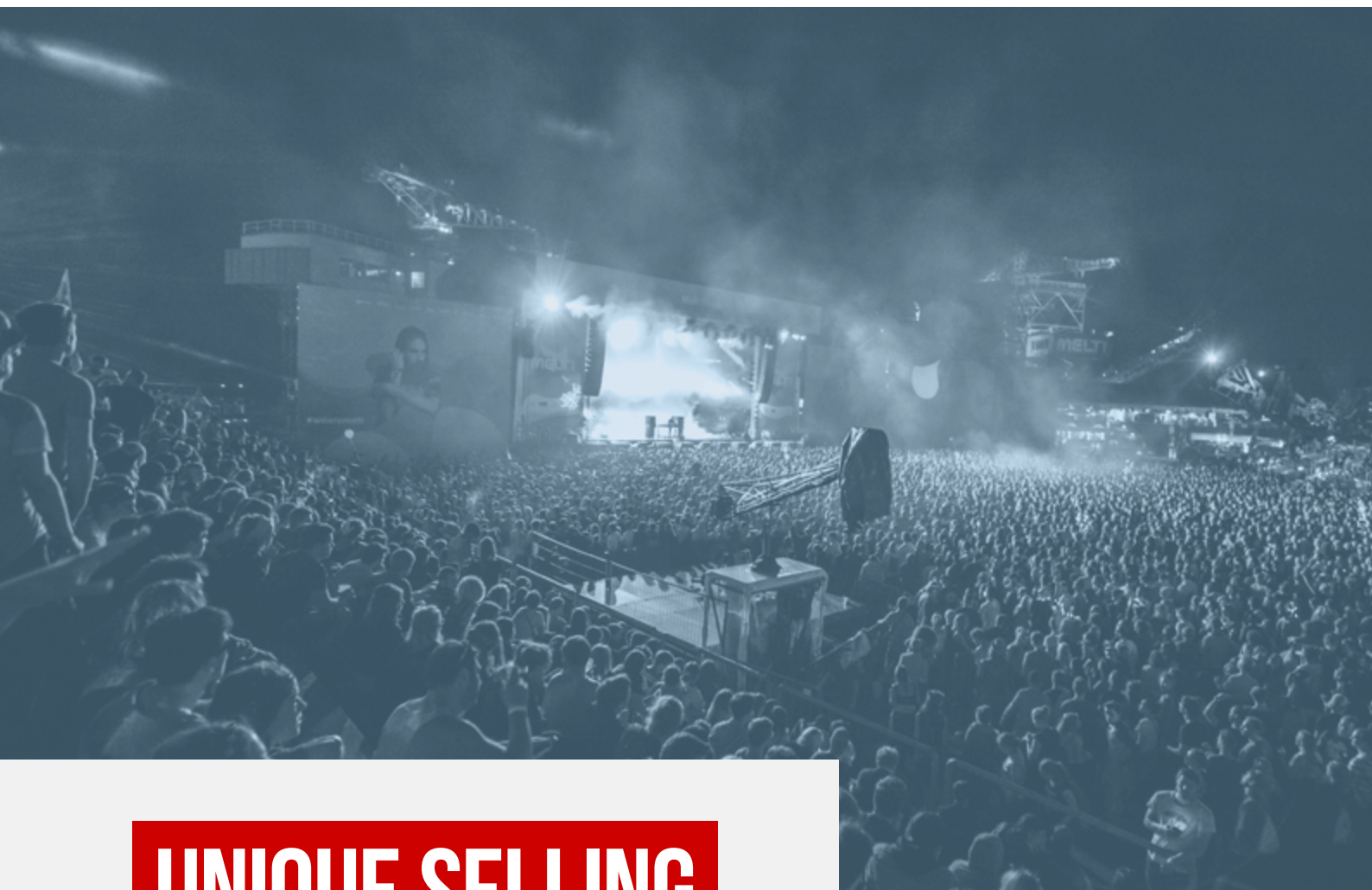
Given limited revenue streams, in the main linked to subscription income, the major global players will continue to be limited by their ties to major labels and distribution agencies unless more favourable agreements can be negotiated. As these fees are unlikely to diminish significantly in the commercial music marketplace, for the larger players to become profitable requires cost reductions elsewhere in the business or diversification of revenue potential.

For example, Spotify currently has new products in development, signalled by recent acquisitions of an audio detection technology company and a blockchain company, but new developments have largely come from acquisitions of other start-ups, with eight acquisitions in the past two years alone. While acquisitions may be necessary for further growth,

it is a signal for caution as it indicates that Spotify is struggling to find growth within its own business and has accepted the limitations of its streaming business model. After over a decade of trading, Spotify has only recently become a marginally profitable entity, after its IPO.³⁶

The music streaming industry has become increasingly crowded and competitive with rival streaming services such as Apple Music, Google Play Music and Tidal entering the marketplace. Most of these companies have accessed debt equity to continue financing their operations, however, are able to balance streaming losses against existing, successful product offerings in other hardware and software spaces.

The Pack's already diversified revenue streams and lack of interference by labels, record companies and distribution agencies mean that The Pack will not be reliant on debt finance, nor will it need to treat its artists as a pure commodity in order to ensure profits. It will not need to acquire other start-ups to underwrite its business model (as Spotify has), and it will not need to 'float' in order to provide valuable dividends to its main stakeholders - musicians. We can be a cooperative - but also a profitable and resilient enterprise.



UNIQUE SELLING POINT SUMMARY

While The Pack's market is deliberately much smaller at launch than the global players promoting global artists, the percentage of revenue generated which comes back into the system to the benefit of artists, is significantly larger.

With no labels to hold The Pack to ransom, and no 'free services' to support, The Pack has only its operational costs and overheads to manage and can scale realistically and viably by expansion into new territories. While variable costs are still a factor, our costs will not rise at a rate that outstrips revenue.

Our membership base and variable costs remain proportionate. And with each expansion into new territory, The Pack brings with it the all of the social and cultural benefits that underpin its purpose.

This means that the social impact commitment that The Pack makes to its beneficiaries - local, original musicians - will not be reliant on long term debt finance but on a revenue positive, sustainable business model which, while not a global giant, will become a local hero.

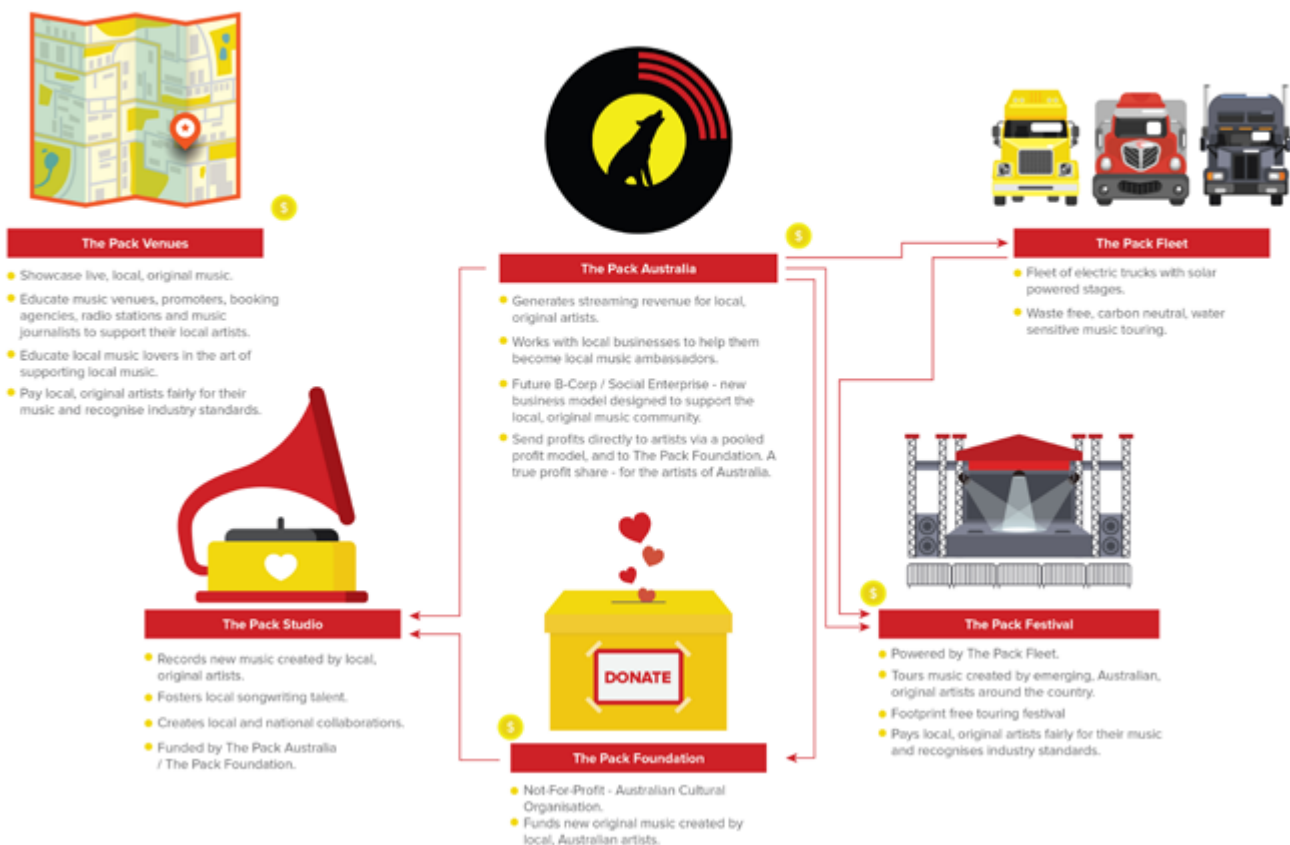
KEY COMMUNITY BENEFITS

The Pack Australia understands the music industry ecosystem and its interactions intimately.

Run by local, original, unsigned artists, we are building a business that sits at the coalface of the recorded music sector. While our primary advocacy space is to address the impacts of digital disruption on our industry, this is by no means our only focus.

Instead, The Pack sees recorded music as one vital part of an overall landscape and we are looking to use this as the central (economic) pillar of an arts advocacy organisation that goes beyond recorded music and stretches its philanthropic wings out over the entire industry – from recording and distribution, to gigging and touring, to venues and marketing and beyond.

THE PACK ECOSYSTEM - THE BIGGER PICTURE



1 Using data and research to help our industry revive, survive and thrive.

The arts are the original social enterprise. They inspire, stimulate critical thinking, open dialogue, allay conflict, strengthen local economies, stimulate learning and can even play a health giving therapeutic mental and physical health role. The arts are key to transformation, change and cultural growth.

Because it is imperative for the Australian music industry to access real-time data on its artists and the sustainability of the music industry; and for governments, local governments, industry bodies, licencing bodies, business and artists to be able to access insights into the impact of their investment in the arts – this project proposes an open data model that enables real time insights to users and stakeholders, which will change over time as the technology evolves (in particular through AI enabled curation and geofencing for localisation).

Part of The Pack's commitment to industry health is investment into ongoing research, and the sharing of data and insights to ensure that the project always remains community directed and user focused.

It is our intention not only to research the major drivers for music consumption, but also to capture the factors that most influence the

listener community's 'capacity to change' with regards their music consumption choices – i.e. what would drive a music consumer to change their habits to align with a specific social good or social impact in the digital music space and how do we get them to stream to save their scene?

The Pack will develop an economic and social return on investment evaluation framework for our work, ensuring that the project not only captures how The Pack contributes to the local economy, but also how key industry health indicators are trending.

Coupling community education and engagement, with data and insights, we believe this project could steer the landscape of Australian music toward a conscious consumer ethic and support a major revival of 'ground-up' growth and sustainability in our arts ecology.

We will be able to demonstrate to our governments the 'whole of industry' benefits of taking a strategic, integrated approach to music funding and support, and, with luck, and persistent advocacy, we hope to steer policy and investment towards sustainability in the arts.



The Pack will develop an economic and social return on investment evaluation framework for our work, ensuring that the project not only captures how The Pack contributes to the local economy, but also how key industry health indicators are trending.

2 Addressing industry inequity.

It is the intention of the project to address the fact that while globalised music streaming represents connection to a worldwide music distribution network, without the local foundations to support the growth and development of unique local music product, it simply provides another vehicle for inequity and competition between artists supported by major labels and marketing money, and those emerging artists struggling to find a foothold in a crowded industry without significant backing or support.³⁷

Unless a platform to educate and provide the means for our community to connect and support its own industry is created, new Australian music will find itself unable to compete against the American and European markets on the world stage, but if we can provide that foundation – the sky is the limit for independent, original Australian music and new markets and opportunities can be created.

The Pack Australia is, for that reason, deliberately discriminatory. In essence The Pack will only work with local, original artists – to provide them with a launchpad from which to kick off their careers. This is not a space for already successful Australian artists, because although we'd love for them to be advocates for The Pack, we know that, once an artist is signed to a major label, they are already well-placed to access the distribution and marketing channels, and administrative support they need to find performance opportunities, tours and to generate music sales. In short – if you're famous, you don't need us!

We're also deliberately creating space for those musicians who find it hardest to gain entry into the music industry – those marginalised by sex,

race, gender identity or lack of resources. One of the main reasons for building The Pack Australia as a profit-for-purpose enterprise is to channel profits generated by the streaming service into a charitable cultural organisation, The Pack Foundation, to provide recording support and scholarships to emerging Australian, original artists, and to foster, and sustain, the talent and uniqueness in our industry.

We believe that it's the 'heart' in our system that will drive engagement with The Pack Australia. It creates real connections between local artists, listeners and businesses, and allows them to build on those connections to grow true artist-patron relationships, more meaningful than a spin on Spotify. We believe that as our project grows, and as local listeners and local businesses recognise that they have the power to change the music industry for their own local music creators, a groundswell of 'buy local' music patronage will help us to drive continual, sustainable growth.

While we will initiate the project in WA as our pilot, our simple premise is that local people want to hear local music wherever is local to them. Interestingly, this is also our scaling strategy – as we believe that any precinct, town, city or state that values its music ecology can be part of The Pack. We will focus first on expanding to all Australian States and Territories, then to our immediate neighbours, and beyond! Live in Detroit? Derry? Dunedin? Dubai? You can be a Pack Patron!

37 https://musicbusinessresearch.files.wordpress.com/2018/04/volume-7-no-1-april-2018-pedersen_final.pdf

3 (Re)building an engaged music consumer community.

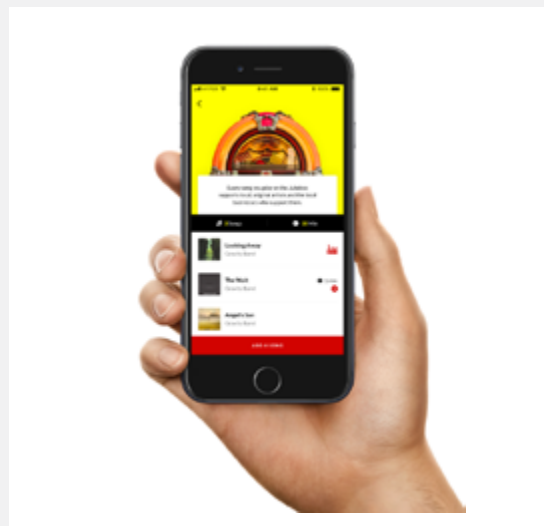
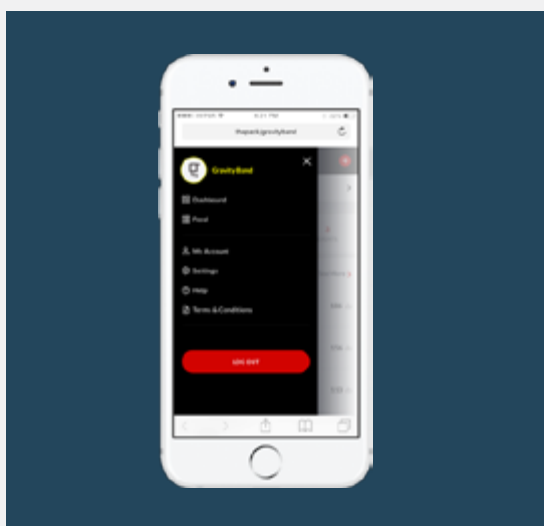
Prior to embarking on this project, we undertook some preliminary local research to validate the model both with the business and arts community. While this is a first pass validation, it gives an initial overview of the levels of support we can expect to see from the community.

- 80% of 25 businesses interviewed or surveyed claimed they would use the service if it was available to play local, original music on their premises.
- 95% of over 100 musicians interviewed or surveyed want to be part of The Pack as content creators – and all of those musicians would also become community listeners to support other musicians.

- 90% of over 100 music consumers interviewed or surveyed claimed they would use The Pack if it could provide them access to quality local, unsigned music content, and guarantee that musicians would be fairly rewarded for their music.

- ThePack raised over \$20,000 in crowdfunding from our community from 100 donors – and all of those donors have committed to signing-up as soon as the system is useable.

As a deliberately interactive, community-based platform which is predicated on check-ins / locational data, preferences, artificial intelligence and user interactions (votes / likes / shares) we use data, research and innovation for social good.





The Pack will use technology and data sharing to ensure the survival and growth of the Australian music industry via:

Action	Benefits
Geo-fencing for local Business-Artist-Community Connection.	Ensuring that in local businesses and venues the community will hear local artists – and those artists will make money and connections where they live, work and play.
Artificial Intelligence & Geo-location for Business Building & Local Economy.	Ensuring that businesses playlists evolve with customer check-ins and interactions, enhancing attraction and retention potential, and enabling them to craft in-store experiences around real customer preferences.
Data sharing for Incentive Based Social Marketing, Business Building & Local Economy.	Ensuring that businesses can attract customers with the promise of localised rewards for interacting with local music creators and promote themselves as arts advocates, building brand trust and local reputation.
Data sharing for Industry Sustainability.	Giving musicians access to their play data in real time, enabling them to track their exposure, earnings, fan base interactions and promote themselves to local venues and live music spaces on the basis of that information.
Data sharing for Government Advocacy, Funding & Patronage.	Enabling local governments, industry bodies, licencing agencies and local communities to take an active role in the sustainability of their local music community by providing them with localised data so that they can advocate for, interact with and support local artists.



TARGET MARKET(S)

Our content creators & beneficiaries – local, original musicians.

Any independent / unsigned, local, Australian, original musician, with quality recorded music product, who is seeking to find new ways to monetize their music can become a content contributor to The Pack Australia.

Our primary target market – community listeners.

Any individual who wants to support their local music industry while subscribing to a fun, user-friendly, interactive music streaming service can become a Pack Australia member.

Our (early adopter) user profile is likely to be largely made up of:

- People who use Spotify or other major streaming services but are tired of only hearing popular international artists being profiled and are finding local music access difficult.
- Music lovers who like to engage deeply with their local bands and discover new music.
- Conscious consumers who have a 'buy local' ethic.
- Anyone who loves local music and believes in supporting local artists.

Our secondary target market – local businesses.

Any business that plays recorded music in their premises, and who seeks to support local, original music and become an Australian music advocate can become a Pack Australia member.

Our key customer statistics.

We aim to reach our first 16000+ individual customers in our first operating year and reach 75000+ within three, with a view to expanding into all states and territories across Australia and New Zealand within 6 years of operation, then explore international opportunities.

While these are estimated membership fees at this stage, it is anticipated that our fees will be as follows:

- Business membership (single space) customer value over 12 months = \$220
- Individual membership customer value over 12 months = \$100
- 'Jukebox' revenue per play = 50c
- Cost per individual customer / per annum of acquisition = \$1

Advertising revenue will also be a valuable revenue stream, but as we're yet to properly consider its potential, we've not included estimated figures above.

BASIC SPECIFICATIONS & FEATURES

The Pack intends to build a music streaming platform (consisting of a web based platform and mobile app) which will enable any Australian business that plays recorded music on their premises (including retail, hospitality / food and beverage, commercial

enterprise or other), to stream local, original music directly to their location. It will provide access to local, original music content to a community of listeners, and provide access to upload music content to local, original, unsigned artists.

Our Product

The Pack Australia is a music streaming platform that connects local musicians, businesses and listeners to support and grow the local music industry, wherever local is for you.



Geofencing to connect.

AI to curate.

Micro-payments to donate.

Social marketing to advocate.

Web Platform Features

The website has the following functions:

- Enable the system administrator to manage the service / curate playlists.
- Semi-automate the upload of music into genre specific playlists.
- Allow businesses to subscribe to the service so that they can stream music to their premises which is relevant to their business size, sector or space; for example, a café, clothing or shoe store, small bar or commercial premises.
- Allow individual listeners to create a profile so they can communicate their music preferences with business members.
- Allow individual members to access curated playlists and / or the entire local, original music library on a monthly subscription.
- Allow for the ability to capture and communicate clear data to facilitate accurate streaming payment distribution.
- Provide distinct functionality to three user groups – musicians (suppliers); businesses (users); individual users (subscribers).

The System Administrator can:

- Upload and manage music files. Music files will have details allocated to them in a database, such as the artist and the genre of the music.
- Create, curate and edit playlists which group like music files together.
- Assign space / sector / business specific playlists to customers who will stream the playlists.

Business Members can:

- Create a profile with their details, location and the demographics / psychographics of their customers, for example customer age range, customer profiles and potential music preferences.
- Connect their device to stream The Pack to their location.
- Provide payment details for a monthly or annual membership fee.
- Delete their profile / cancel membership.
- Promote / market / social share their involvement in The Pack.

Music Members can:

- Sign-up and directly upload their music to genre specific playlists for further curation and distribution (for free – forever).
- Complete additional information about songs (title, artists, themes, genre etc.).
- Purchase an artist / band page from which to promote live performances or sell downloadable product or merchandise.

Mobile App Features

Key App Functions:

- The app can be downloaded to a PC, Mac, or Mobile device.
- The app enables business members / individuals to stream music.
- The app enables business members / individuals to stream curated playlists.
- When the app loads for the first time, the user is required to create / sign in with their account. After sign-in the app can determine if the user is a musician, business or individual subscriber.
- Extended features for Individual subscribers:
- The app enables new users to sign-up as listeners.
- Listeners create their own profiles and preferences on the website and sign-in.
- The app enables listeners to 'check in' at any Pack business location.
- The app enables listeners to view what music is playing at a location.
- The app enables members and listeners to rate and suggest music.
- The app enables listeners to influence what music is playing at a location.
- The app enables members to access the 'jukebox' feature, donate directly to artists and businesses and influence playlists.
- The app enables listeners to buy music directly from musician pages.
- The app provides (accepted) notifications from artists with band / artist pages to listeners on live performances and new recorded music.

THE TEAM

Management Team

Co-Founders Melanie Bainbridge and Harry Deluxe are both working musicians as well as being accomplished arts practitioners across a range of disciplines.



Harry Deluxe

Director

Harry Deluxe is a skilled place maker / curator and arts manager with high level community engagement, volunteer coordination and facilities management skills, business development, organisational development, recruitment, financial management, stage production and technical management, marketing and team leadership skills across a broad range of communities and sectors. She is a professional MC and manages two successful Perth bands.



Melanie Bainbridge

Director

Melanie Bainbridge has over 15 years of strategy, policy and sustainability experience; over 15 years of experience in the arts, writing and editing fields; over 10 years policy, advocacy and legislative analysis experience; significant project, budget, high level stakeholder management, campaigning and community consultation skills and extensive experience in funding and grant application, sponsorship management and corporate relations.

Advisors

The Pack Australia is a social enterprise with a skilled 'Founder Circle' consisting of 7 professionals with expertise across a range of relevant industries including: research (sustainability & law), legal, music publication, software development, social media and marketing, sustainability / social impact, music creation / production / music-tech, quality assurance and innovation coaching. The Founding professionals all have equity invested in this project and provide advisory services pro-bono.

Research & Industry

The Pack Australia has attracted an influential consortium including but not limited to: Around the Sound media, Curtin University Sustainability Policy Institute and University of Western Australia School for Social Impact and a number of local government ambassadors, who make up a broader research consortium which will drive the impact measurement research that will demonstrate the social and economic value of The Pack beyond its value as a music streaming service.

Additionally, the Pack will work with active industry associations, including the National Retailers Association; the Australian Hotels Association; APRA AMCOS; West Australian Music; Chamber of Arts and Culture; Australian Musicians Union and others. We also intend working with State Government and major music industry influencers, including celebrated local musicians.



PROJECT SUMMARY

Global music streaming services were once touted as an equitable way for independent recording artists to engage directly with an almost unlimited, global audience. Unfortunately, they have not created an even playing field for musicians.³⁸

While they may be workable for popular artists, who have highly financial major labels behind them; for local, original, unsigned artists, they can be a trap, as they allow people access to music without needing to invest in it in any way.

The Pack Australia has a deceptively simple approach to building a fair, new revenue stream for local, original artists, while giving music lovers access to good quality local music.

Our platform will enable businesses to stream curated, all original, all local music playlists for their individual spaces and business types. We will broker a direct, enabling connection between local, original musicians, local listeners, and any Australian business which holds an APRA licence for recorded music (which all businesses should).

We will create opportunities for The Pack listener members to influence playlists algorithmically by interacting with member businesses via a location based check-in system, ensuring that the business's individual playlist is always tailored to its clientele, and providing direct

customer data to businesses - good for clients, good for musicians, and good for the bottom line! This also provides a perfect opportunity for local businesses to become active patrons of the arts, for less than the cost of their normal Spotify licence, by playing local, original content in their place of business.

Our aim is to create a better way to track, calculate and analyse 'real time' airplay data for artists, and share more accurate data with stakeholders - without having to share space with imported playlists, 'famous' artists and illegally streamed music. We're moving away from the impersonal and automated, and towards mutually beneficial connections and partnerships.

Unlike other music streaming services, we are a profit-for-purpose organisation whose purpose is to improve the lives and revenue opportunities of our home grown, original songwriters, composers and musicians.

We will create multiple income possibilities for recording artists through online sales, personalised gig notifications, and fair royalty allocations - so that every artist who gets played, gets paid.

We don't just give you music – we give you the music that is made in your 'hood, by your pack!

38 <https://www.bcg.com/en-au/publications/2017/media-entertainment-economic-development-digital-new-york-city-music-industry.aspx>

Learn More!

For the latest information about our products and services, please see the following resources:



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