Is the “Netflix model” favorable for the audio streaming industry

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ABSTRACT

This paper investigates the audio streaming industry in combination with the video streaming industry. The biggest player in the video industry at the moment is Netflix. One of the reasons that Netflix is as popular as it is today, is because of their Netflix Originals. Netflix Originals are series or movies that are created by Netflix and are only watchable on Netflix. This research paper investigates the possibility of adding exclusive content to platforms in the audio streaming industry. The investigation will is performed with an literature study. By comparing the audio industry and the video industry it was found that it is possible for audio streaming services to implement exclusives and these exclusives will lead to an increase in subscribers. However because of the high rivalry in the audio industry it is going to be really hard for streaming services to contract artist before the big right holders do.

Keywords

Music industry, innovation, video industry and corporate strategy.

1. INTRODUCTION

The music industry has undergone multiple changes over the years. New ways of listening to music became possible and new business models for the music industry emerged. It all started with the “traditional” music business model. With the “traditional” music business model, artists would create their own music and bring this to the record labels in the hopes of getting a deal with a music label. If this was accomplished then the music label would provide money and make sure that the music would be spread and be played by radio stations to create awareness of the music and bring it to the consumers, by making the music available in stores where consumers could then buy a cd of their favourite artist[9].

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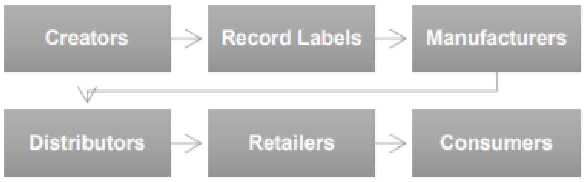

Figure 1. Value chain of the traditional music business model

Then the internet came and this had a huge effect on the music industry. John B. Meisel, Professor in the Department of Economics and Finance said: “Business as usual in the music industry is over. Online music is a force to be reckoned with now and increasingly in the future” [12]. All of the sudden artist could record and produce their music faster and there were more means to get the music to the consumers and new ways to promote the music. From this, new models emerged, the shift was made from traditional models to digital models. New digital models were: the digital download, online radio services, and demand streaming services. Digital downloads made it possible for users to buy the music they wanted without going to the store and they were able to listen to it from their portable music player. ITunes was the first digital music vendor who made it possible for consumers to download their music place it on their iPod.

Online radio services are existing radio services who make use of the internet to let their listeners listen to their radio channel when they have no radio. The use of online radio services gives new players the opportunity to start their own radio channel, although the cost of music rights and streaming are high, but this can be compensated by making use of free platforms, which offer the music rights in exchange for being allowed to play commercials on their online radio service.

The on-demand streaming services make it possible for consumers to listen to music without having to download it for free or for a fee. Of the digital music models, this is the newest and the most popular one at the moment. The biggest player in this market is Spotify, they have a market share of 36 percent in the streaming music market [12]. Other big players in this category are apple music and Amazon but these are not close to the amount of market share that Spotify has, with Apple music having a market share of 17 percent and being the second biggest music streamer.

The music market is not the only market that has made big changes because of the internet and the world becoming more and more digital. Another example is the way we watch television. Because of the rise of streaming services like Netflix, Videoland and YouTube the number of people that watch television the old fashion way has decreased [6].

The business model of Netflix is particularly interesting to look at. Netflix is one of the pioneers in the industry of subscriptions models. They did this by having their focus on different aspects that together give a lot of value to Netflix. The three aspects that make Netflix work are: an affordable price, accessibility and most important original content [6].

First of is the affordable price, the price of Netflix is constructed in such a way that it is affordable to the majority of people, but also delivers Netflix money to make it possible for the company to grow even further.

The accessibility makes sure that Netflix is available for as many people as possible. This is not only by making sure that Netflix is affordable for people but also by making sure that Netflix is easy to use. Netflix makes this possible by making their interface as easy as possible for their users. All movies and series are categorized which makes it easier for users to find the movie they are searching for. Furthermore, Netflix looks at what users with the same interest are looking at, by using this information, Netflix is capable of giving suggestions of movies or series, which have a big chance of being favorable for the user.

The last aspect that makes Netflix the big success that it is today is the fact that they make use of original content. Their original content is called: Netflix originals. “Fuller house” is an example of a Netflix original. This show had 21 million within a month [9]. Others Netflix originals like “Making a murderer” and “Daredevil” also gained a lot of viewers by having 19.35 and 11.65 million viewers correspondently. This kind of exclusive content with a high production value makes Netflix stand out from the crowd. People are forced to use Netflix if this is the only source for one of their favorite shows. This business model might just be the next step in the audio business industry.

2. RESEARCH QUESTIONS

The following research questions followed from the technological advancements seen in the video and music industry: Is it favorable for audio streaming services to follow the Netflix business model?

This question will be answered by making use of multiple sub-questions:

- What is the business model of Netflix?
- Which business models are currently used by the biggest players in the audio streaming service industry?
- What are the differences between licensing in the audio and music industry?

2.1 RESEARCH METHODS

The research for this paper was conducted to create a framework of what an audio streaming service using the Netflix model or in other words, exclusive content would look like. This has been done with a literature review.

2.1.1 Literature study

A literature research was conducted to get a complete overview of the current situation of Netflix and the audio streaming industry. The literature used for this research consisted out of previously made scientific researches, interviews, statistical reports and online articles.

3. LITERATURE REVIEW

3.1 Comparison between the music industry and the video audio industry:

The music industry and the video industry have a lot of similarities, but there are also some differences. There should be more similarities than differences to make studies in one of the two industries applicable to the other.

The first major similarity is that both the music industry and the video industry have undergone massive changes in recent years because of the increasing availability of digital media (Goel, Miesing & Sandra, 2010). Both industries are noticing the effect of the continued rise of the digital media because physical cd’s for music and movies/series are hardly popular anymore. Best Buy has even announced that they will stop selling cd’s because digital music revenue keeps growing and the sales of CDs keep declining [38]. Past three years, the CD sales in the United States have decreased every year with at least 15 percent [34]. The streaming services on the other hand are bigger than ever and account for 62 percent of the total revenue from the United States music market. When looking at the size of the two industries, there is also a big similarity. Both industries have a revenue size of around 8 billion USD [28]. Both industries also consist of products that are not essential to the survival of humans thus being classified as: non-essential items. Because both industries consist of non-essential items, it means that they are both very susceptible to downturns within the economy because when people have less to spend the first thing to suffer are the non-essential items.

A five forces of Porter analysis by Micheal Porter shows that the music industry and the video industry have even more similarities. The suppliers can be seen as an oligopoly because the biggest part of the industry is only supplied by a few audio streaming services(Spotify, apple music) or in the case of the movie streaming industry a few movie streaming suppliers(Netflix, Video land). The buyers are a very large group of people from all over the globe. A large number of people that want to use the service of both industries in combination with the price difference of different suppliers among both the video industry and the music industry gives the buyer an low to moderate bargaining power when it comes to these industries. The threat of new entrants is high because there are few fixed costs in the online world which means that it is easy for new players to enter the market, taking over the market, however, is extremely difficult because there are already a selected few on top, which have a big control over the market. The threat of substitution is high because piracy is still an option for buyers and a lot of people resort to this option. The loss of money to piracy is only increasing over the years. 21 percentage of United States citizens pirates a movie or song from time to time[32], the total loss of money because of this amount of piracy is 37.4 billion dollar and it is expected that this number will keep rising to 51.6 billion dollar in 2022 [7]. The rivalry between the different suppliers of audio and video streaming services is high because there are low switching costs for the buyers, it is easy to switch and there are multiple options to switch to.

	Music	Video
Supplier Bargaining Power	Strong	Strong
Buyer Bargaining Power	Moderate	Moderate
Threat of New Entrants	Strong	Strong
Threat of Substitution	Strong	Strong
Rivalry	Strong	Strong
Industry Structure	Oligopoly of suppliers, consisting of three major record labels	Oligopoly of suppliers, consisting of six major film studios
Product Classification	Experienced good. Non-essential item for consumers	Experienced good. Non-essential item for consumers
Approximate Size of U.S. Market	$8B USD	$8B USD

Figure 2: Comparison of the audio streaming and video streaming industry[28]

These comparisons show that successful models within the video streaming industry might also be applicable to the audio streaming industry and the other way around.

4. Analysis Netflix:

4.1 Internal:

To get a better understanding of Netflix and how it makes their exclusive content work, an internal analysis was performed on Netflix. From this internal analysis, the value proposition can be established. The four key items that give Netflix value are: their large amount of content[28], the recommendation engine, portability and original content. To understand the model of Netflix better, each of these items will be examined, to get more details:

4.1.1 Content:

Netflix offers a lot of content at the beginning of 2018, Netflix had nearly 15,400 titles across all regional libraries according to uNoGs[23]. This large library is extremely important to Netflix because it makes it possible that they can attract customers from a lot of different segments. They offer a lot of categories, even ones that users will not see at first glance. Netflix offers more than thousand categories to choose from. People with totally different tastes can still all like Netflix because of this variety. A large amount of titles also gives a competitive advantage towards other online or offline stores who try to sell or stream movies, because in general, these retailers have around 6000 titles, which is not even half of what Netflix has. This makes it harder for new entrants to get into the video streaming industry because Netflix has such a head start. The money that Netflix earns is put back into Netflix to buy a license for new series or movies that will be made available for the customers. This way the library of Netflix keeps on growing. The Financial officer of Netflix stated: “If you are the next guy in, and you are trying to catch up, you need a big balance sheet and a lot of conviction to provide users to the same amount of content that Netflix has been able to afford to license”. With this, he means that he is confident that in the nearby future no competition will have as much to offer as what Netflix has to offer nowadays.

4.1.2 Recommendation:

Netflix is famous for its recommendation system, more than 80 percent of the TV shows people watch on Netflix are discovered because of the recommendation that Netflix gives to their users [13]. The way this works is through the users. Netflix has 125 million active subscribers on its platform [33]. When a subscriber watches a series or movie, Netflix will remember this. When the subscriber watches more series, the algorithm gets a profile of the user of what kind of series the user the user likes. Netflix also checks whether or not a user binge watches a series, meaning that the users watch the whole season of a series in a short amount of time or that the user takes a lot of time to complete the season or even worse, that the user stops watching the series altogether. Using all this information Netflix gets an accurate profile of the user. This is done with all 125 million subscribers. By comparing profiles Netflix can determine what series the user will probably like because someone with a similar profile also likes it. The accuracy of the Netflix recommendation system has gotten a lot of praise because of how accurate it is.

4.1.3 Portability:

Netflix gives their users a lot of ways that they can enjoy their service. Netflix can be watched on: the computer, mobile phone, tablets and even on gaming devices like the Nintendo Wii and the PlayStation 4. In contradiction with other online competitors, who make their own platform or make their service exclusive to a certain platform. This leads to a high satisfaction rate from users towards Netflix because they are able to watch their favorite show wherever they want. Back in the day, people could only watch movies at home or at the cinema. Nowadays they can stream their favorite series wherever they want, the can watch it while they travel, on their break or on vacation. This means Netflix will be used more and it increases the experience of the user.

4.1.4 Originals:

New users also come to watch Netflix because of the Netflix originals that are offered. Netflix has set to spend 8 billion USD on original content in 2018. This money will be spent on 700 original TV shows, Both in English and other languages [36]. CFO of Netflix David Wells has said: “Let’s continue to add content — it’s working, it’s driving growth,” Popular Netflix originals like “The Crown” and “Stranger Things” attract a lot of new subscribers to the platform. The latest Quartile has been a huge success for Netflix because they grew with 24 million people and original content is largely responsible for this growth, with Netflix having three of their originals in the top five most searched TV shows globally for the second year in a row[25].

4.2 Diamond-E analysis:

Using the diamond-E analysis[5] we can see how Netflix uses their value proposition to become successful in the video streaming industry when looking at the organizational requirements, resource requirements, management, and environment, it can be seen that Netflix is successful because of their amount of current subscribers that they have[31]. This large size of customers creates a lot of revenue which can be used to license new movies and series which can be added to their library to attract new customers. Instead of licensing movies and series it can also be used to create their own popular Netflix series. When looking at the management board of Netflix it also reveals that their board exists out of an experienced staff, which made it capable to license the number of movies and series that they have. When Netflix hires new people, a key element of these people is that they need to have experience with video distribution and technological experience. For the original content, Netflix hired multiple people to make sure they get the best original content possible. They have a VP content acquisition, who looks at potential projects which can be included in the Netflix Original program. They have a VP for original film, who is head of the movies part of the Netflix original program, this is the same for series and for documentaries. Netflix has also decided to move from making only Netflix Originals in English to making local Netflix originals and they have their own department for this section of the company [26]. By dividing their Netflix original program over multiple departments they make sure that every department gets the attention that it needs. This way Netflix gets the most out of their originals and it is also this that made it possible that the Netflix Originals are such a big success. The exclusivity of these series and movies in addition with their good recommendation system and portability, make it possible for Netflix to keep on growing and keep their position at the top of the video industry[31].

4.3 External analysis:

When looking at the environment of Netflix it can be seen that they are active in the video streaming industry. Like mentioned before the threat of new entrants and substitution, rivalry and power of the supplier are high in this industry. Netflix is ahead of all its completion in this environment. They became the biggest in their industry and they keep on growing the fastest, because of the continued growth of the annual revenue that Netflix makes. By investing this money back into the company, they will not be replaced by other video streaming services or replaced by new technologies. Other big players in the video industry are: Amazon studios, 21st Century Fox and Hulu, according to the yearly report of Netflix. This same report also states:" The market for entertainment time is vast and can support many successful services. In addition, entertainment services are often complementary given their unique content offerings. We believe this is largely why both we and Hulu have been able to succeed and grow." Here Netflix explains that they are still able to grow because of the original content that they are able to produce, thus the Netflix originals.

5. COMPARISON BETWEEN LICENSING IN THE AUDIO AND VIDEO INDUSTRY:

To get a better understanding of whether or not it is possible for audio streaming services to provide exclusive content, it is important to know the difference in licensing between the video industry and the audio industry.

Licensing in the music industry is more complex than in the video industry. In the video industry, streaming services have the advantage that they are able to purchase content directly from film studios. In the music industry is this not so simple. When it comes to audio streaming services, they have to track down all the right holders of the music to add it to their platform. In most cases, there are two parties that the audio streaming service needs to contact to get the right for the music. The first one is: the right holders of the composition copyright and the second one is right holders of sound recordings. Finding the correct right holder is not always easy. Sometimes multiple sources claim to be the owner, then the multiple owners have to resolve their owner's dispute before the streaming service can put the music on to their platform. Another complication of licensing with the right owner is, that at any time the owner can determine that they want their music removed from the streaming service for various reasons. The rightful owner of the music can also choose to sell the right to a different party and this means that the online streaming service has to construct a new license between them and the new right owner before making the music available on the platform again[33].

When it comes to exclusive deals, it mostly works the same for the video industry and the audio. The right holder of the music or the movie has to make a contract in which he gives the streaming service the exclusive right to show their content. This contract has to state that the owner of the content is not allowed to share the content to third parties while the contract lasts, while still being the owner. A new contract has to be made when the contract expires or if the right holder decides to sell the right.

6. BUSINESS MODELS WITHIN THE AUDIO INDUSTRY:

To get a better understanding of the business models within the audio industry there will be an overview of the biggest player in the audio industry and that is Spotify[38].

Service	Users (million)
Spotify	>100
Pandora	81
Apple Music	>27
Deezer	6
Tidal	>1

Figure 3: Amount of users of audio streaming services[16]

By taking a look at the most important aspects of the business model of the biggest player, it can be determined whether or not the Netflix model could fit into their current model and if it would improve upon it.

6.1 Value proposition:

Spotify's value comes from a large amount of music that they offer in their library[11]. The library of Spotify almost always contains the newest music which is easily accessible and easy to use for listeners who want to listen to music either a short or a long time. Users of Spotify can use Spotify for free, but that means that they have ads between the music that they listen and the music that you listen on your mobile phone is always in shuffle mode, this means that you cannot directly select the song that you want to listen to, but have to wait until Spotify decides to play the song that you want to listen. The last thing that free users cannot do is download songs to listen to when they are offline[34].

Unlike ITunes, you cannot buy one song and then have it for the rest of your life. Spotify only provides the option for users to buy a subscription to listen to the whole library for a period of time. This means that users do not have to choose which music they specifically want to listen to. They simply buy a subscription and can download any song they like, but these songs will be deleted if the subscription is over. This is the biggest power of Spotify, they give their users an option to choose which music they want to listen to.

Another strength of Spotify is that they provide the users with music they might like. When playlists are about to end Spotify will search for similar music to make the playlist continue even though the official playlist is out of songs. With the same technology, Spotify can provide the users with daily mixes. These daily mixes consist out of music that the user had previously listened to and music that is similar to this music and thus the user might also like that.

Spotify also provides their users with the option to listen to radio. The user can simply choose a song, album or playlist and activate the radio option. Spotify will then, depending on the songs that you choose, start a playlist with similar songs. This means that users can listen to the radio, but without commercials, in case the user has an subscription. They can also skip songs and change the playlist to their likings. No longer people have to listen to songs on the radio that they do not like just to wait for the next song. With Spotify, the radio is custom tailored to the desires of the users and in case it is still not exactly what the user wanted then the user that skip or adjust the radio playlist[34].

6.2 Cost structure/ Revenue stream:

Spotify earns money through ads and subscription fees. Users that have a free account on Spotify have to watch ads to make use of the platform. Premium users have a subscription and therefore do not have to watch commercials, instead, they pay monthly to make use of the platform. According to Spotify, around 60 percent of their revenue comes from subscriptions[11], the other 40 percent comes from the ads. Spotify has a total of 170 million users and 70 million of these users pay for the service. That means that around 41 percent of the users of Spotify are paying users. Still, this larger amount of people generate more money for Spotify than the larger group of free users do with the ads. That is why is important to convert free users to premium users. Thus far Spotify is doing a good job at this because every month the amount of premium users increases with around 5 million subscribers.

Spotify generates costs by having to pay salaries to the people that work for the companies. They also have to pay the bandwidth costs, to make sure that their platform stays online and their biggest cost comes from the royalties they have to pay to the right holders of the music[39]. After Spotify has a license with a right holder they have to pay him a certain amount of money every month. The amount of money that an artist earns is calculated as follow:

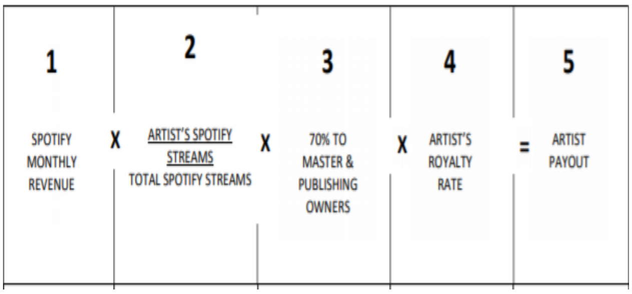

Figure 4: Payout for artists at Spotify[8]

The first part of the formula is the total revenue that Spotify makes in a month from both their subscriptions and their ads. The total revenue is however calculated per country. This means that in countries with less paying subscribers and fewer people that watch adds, the amount of money that the artist will earn will also become less.

The next part is to calculate how popular the artist is on Spotify. This is done by looking at the total streams that the artist has and divide this though the total amount of streams on Spotify. This way the market share of the artist is calculated.

The largest amount of money goes to the master and publishing owners. Approximately 70 percent of the revenue goes to the master recordings and publishing rights. The publishing rights exist out of two categories. First of are performance rights, these rights are paid to song publishers. Performance rights are managed by two big firms in the United States: BMI and ASCAP. Without this license, Spotify has no rights to play the song in public, this also includes streaming in public. Because Spotify's main selling point is, that users can stream music in public, they need this licensed. The second part of the publishing rights are the mechanical royalties, these have to be paid to the songwriters whenever the song is reproduced. This does not only mean when a song is copied on a CD, streaming is also a mean of reproducing music and therefor Spotify has to pay the songwriter every time the song is streamed on their platform. Mechanical rights for streaming are governed by a government agency in the united stated known as the Copyright Royalty Board. This means that 70 percent of the artist payout go the music publisher they work with and the songwriter. In case the artist writes its own songs, his payout will be higher than usual.

The last pay factor are the contractual royalty's rates that the artist has to get. Independent artist can keep 100 percent of their royalty payout from Spotify if they use one of their aggregator partners by paying a small fee.

6.3 Key partners

The key partners of Spotify are the right holders of the music. Spotify has a deal with three big record labels to get the rights for the music in their library, these are: Universal Music Group, Sony Music Entertainment Group, and Warner Music group. These deals with the right holders cost Spotify a lot of money. In 2011 a contract between Spotify and Sony music entertainment group was leaked. This showed that Spotify had to pay Sony 25 million USD for a cooperation of two years and an additional 17.5 million USD could be paid to have a contract of 3 years with Sony (Singleton, 2015).

Spotify tries to keep a close relationship between them and the right holder because without them, their music library would shrink in size and costumers could no longer listen to the music that they want to hear. This would lead to a decline in subscriptions for Spotify. There are more types of relations that a company can have with their right holders, but Spotify's strategy is to keep their partners as rights ally, because they cannot survive without the right holders..

RIGHTS ALLY	RIGHTS FRENEMY	RIGHTS REFUSENIK
Works in close cooperation with rights holders from an early stage to get their service li-censed. They pursue a cooper-ate strategy.	They try to maintain a good relation with rights holders on one side of their business and, test the limits on the other side. They pursue and 'do first, ask forgiveness later' strategy.	They rail against copyright and often see themselves as waging war against copyright. Little or no interest in licensing their ser-vices and will take their fight to court. They pursue a push on re-gardless strategy.
Spotify and Apple	YouTube, Google, and Amazon.	Napster, The Pirate Bay, and Megaupload.

Figure 5: Relations between the platform and right holders (Source: Mulligan, 2015)

7. CONCEPTUAL FRAMEWORK PLATFORM X

7.1 Creation platform

Platform X is the potential platform created by a company in the audio streaming industry that has introduced the Netflix model in their usual audio business model[36]. This means that the Streaming platform offers exclusive content to their users, just like the Netflix originals. The exclusive content on platform X can either be from a well-known artist that has decided to work together with company X and only posts its music their or it could be an unknown artist, who using the exclusivity becomes more famous. Because famous artists are already signed at big labels and are extremely expensive it would be advisable for platform X to focus on new talent. Platform X should, like Netflix create a new department within the company that focuses on finding new talent and creating songs. At the beginning that department may start off small and focus only on one country, but just like Netflix it should expand and create songs that are tailored to a country or music style, to get the full potential of the exclusive content. Being the first to sign an artist in the music industry is a hard task because as can be seen in the External analysis of the music industry, the rivalry is big. There are already big music right holders on top like: Universal Music Group, Sony Music Entertainment Group, and Warner Music group. Platform X does, however, have a unique selling point for the artist that the rivals do not have. If the artist sign with Platform X, then this means that the artist does not have to pay 70 percent of his income to master and publishing owners if the song is fully made in cooperation with the platform that it will be published on. This means that Artist will earn money if his song is streamed on the platform. Another option for the company is to still pay the artist the same amount of money and let the platform earn more money, this extra money could be used to reduce the subscription price, this is not advised however because of the high rivalry in the music industry.

7.2 Value proposition

The big value that platform X offers is its exclusive music. If platform X scouts well and signs good artists that become popular, then the only way that people can listen to this song is by having a subscription on platform X. Platform X should do anything they can to make their exclusive artists famous, by having them on radio and television shows. The more recognition the artist gets, the bigger the chance is that people sign up for platform X to listen to the artist. Since the introduction of Netflix Originals the growth of Netflix has gone up. This is mostly because three of their Netflix originals were in the top 5 popular series according to google. If platform X can create albums with the artist they have signed that also get in the top 5 albums then the growth of platform X will also increase.

7.3 Effect platform X on its environment

If platform X decided to sign artists directly instead of getting a license through one of the big right holders at the moment then this will create a disruption in the audio industry. The rivalry in the industry will go up and simultaneously the bargaining power of the big studios will go down, because artists have more options to choose from when they do not have a contract yet. The biggest danger for platform X is that the big right holders do not longer want to work together with them because they are taking away potential artist of them. Platform X cannot let this happen, because without the licenses of the big right holders, the library of platform X would be too empty and they would lose customers. Therefor platform X should still keep a right ally relation (see figure 5) with the big studios, to make sure that the contracts with the big studios stay and the library will be filled with normal music and exclusive music.

8. CONCLUSION:

Barry McCarthy, the CFO of Spotify has said that there are two stepping stones to success in the streaming industry: the first one letting the users discover new music and the second one is that the content that is streamed should be accessible on multiple devices, this means that the platform should have the possibility to stream on television but also on pc. The first one is the most relevant when it comes to combining the Netflix model with the audio streaming industry. Just like Netflix introduces their watcher to Netflix Originals, the companies within the audio streaming industry can do the same, by providing their user with exclusive content, that let their users discover new songs and artists on their platform. In section 3.1 was stated that the music industry and the audio industry are very similar. When conducting the five forces of porter both on the video industry and the audio industry it becomes clear that they are the same in every aspect of the five forces. This means that models that work in the video industry will generally also work in the audio industry, this gives hope for the succession of the Netflix model in the audio streaming industry.

Section 4 shows why Netflix is such a success is and the internal analysis shows that one of the key factors is a large amount of content and original content. Since their introduction of original content, the amount of subscriptions is growing faster than before. This means that original content is good for the growth of your company, but there should already be a large library with content at the beginning of the introduction of original content, to give the customers more satisfaction. Other factors that made Netflix and success are their recommendation engine and their portability. These generally also come back in audio streaming platforms.

When looking at the licensing difference in section 5 it can be seen that it is more complex to license music then videos. This is because music has more right holders and the owner of the right can easier switch from person to person. If artists are directly signed to the platform and not through a right holder then the licensing structure will become less complex. Another advantage of a direct contract with the audio streaming platform is that the artist will earn more money because the middleman is cut out of the equation as can be seen in section 6.2. Artist will earn more money because they do not have to give a large portion away to the master and publishing owners.

Original content for the audio streaming industry might work in the future but it is important that the platform has a strong base when it starts adding original content to their platform just like Netflix. Artists could be attracted to the platform by offering them more money than the studios do. For the audio streaming service, there will not be more costs, because they have to pay less to the right holders. The biggest danger of the exclusive content is the rivalry with the biggest right holders, because while a platform can offer exclusive content, they will still need licenses from the big right holders to fill their library and this may create a conflict, because by licensing artists directly to the audio streaming platform, they steal potential clients of the right holders. In case audio streaming platform can keep up a good relationship with the big right holders we might just one day see an audio streaming platform with their own originals.

9. LIMITATIONS & FUTURE RESEARCH

A limitation of this research is a lack of empirical research. Using a survey and a large group of participants it can be researched if people would switch from audio service platform incase their favorite artist is not available on the platform.

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Using the findings from this survey it can be decided whether or not people are open to exclusivity on audio streaming platforms.

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