

Global watch on culture and digital trade

CULTURAL STREAMING SERVICES: BETWEEN REGULATION ISSUES AND NEW BUSINESS PLANS

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Analytical report, July 2023

The July report begins with the debates regarding the regulation of Video-on-Demand (VOD) streamers in Denmark and in the United Kingdom. The report also discusses the fine that the music streaming service Spotify is facing in Sweden for breaching the data access rights of users in the European Union. Besides, the report analyzes the proposition from the French government to adopt a levy on the revenues generated from music streaming services. In addition, the report emphasizes the struggle for subscribers and geographical expansion of streaming services, highlighting the VOD consumption across the growth markets of the Asia-Pacific region, as well as the activities from Paramount+ and the Chinese VOD services Tencent Video and iQiyi. Finally, the report turns to new partnerships and business plans, dealing with Netflix, Deezer, and HBO.

Regulation issues, digital trade and culture

Denmark: Cultural levy on streamers to fund local content

Denmark plans to adopt a levy on streamers' local turnover to fund national and local television and film content. The levy will apply to global VOD services, such as Netflix and Amazon, as well as to local players, such as Viaplay. According to [Variety](#), “after failing to receive support with its proposal of a 6% levy in 2022, the government has now drafted a bill for a cultural levy ranging from 2% to 5%, depending on how much streamers have previously invested in Danish content”. According to Jorgen Ramskov, Director of the [Danish Producers Association](#), “the streaming services have a very strong impact on the economic system for funding films, documentary, content for children and youth and TV series in a small country like Denmark. Therefore, we need them to contribute to a future sustainable funding system”.

UK regulation and VOD streamers

Under the UK Media Bill, a [draft](#) of which was published in March 2023, streaming content would be subject to regulation by broadcast regulator [Ofcom](#). As such, the Ofcom “content code” should also be applied by [VOD platforms](#), protecting “audiences from a wider range of harmful material”. Rules around harmful material have applied to the national broadcasters for decades, facing high fines if they break them. In May 2023, Netflix submitted a [five-page document](#) to the UK Parliament’s Culture, Media and Sport Committee, warning that the new regulation would lead Netflix to remove content from its UK library in order to avoid sanctions of up to 0.31 million USD for carrying harmful content. [Netflix](#) added that the draft legislation is “nebulous” and potentially “onerous” for services to enforce.

Data access fine against Spotify

According to [TechCrunch](#), the music streaming service Spotify “is facing a fine of around 5.4 million USD in Sweden” issued by the Swedish Data Protection Authority years after “it was accused of breaching the data access rights of users in the European Union”. In other terms, while users have a right to get access to all their data and information on the use of their data under Article 15 of European General Data Protection Regulation (GDPR), [Spotify](#) “did not fully comply with this obligation” and did not clearly inform its users about how it handles the personal data of its users.



Article 15 of the GDPR requires that digital services companies provide detailed information to users about what data is stored, who it is shared with and for what reasons. The complaint filed initially in January 2019 in Austria by an unnamed individual and represented by noyb ("none of your business"), a not-for-profit organization that campaigns for privacy rights. As Spotify is a Swedish-headquartered company, EU rules required that the complaint be transferred to the Swedish data protection authority.


France: Levy on streaming services in the music sector?

According to LesEchos, the French President Emmanuel Macron has asked the minister of Culture to bring together "without delay" all the players in the music industry, with a view to reaching an agreement on the financing of the diversity support system. If no agreement is reached by 30 September, "the government will reserve the right" to request the Parliament to vote toward "a compulsory contribution from music streaming platforms". This decision is based on a report published in April, which recommends a 1.75% tax on revenues from paid and free music streaming services financed by advertising. This tax will be used to fund the Centre national de la musique (CNM), "to preserve French cultural sovereignty" and "to ensure fair remuneration for artists and creators". Several organizations representing the music industry are in favour of such a tax, while digital platforms and the Syndicat national de l'édition phonographique have expressed strong reservations toward this proposition.

Worldwide activities of online platforms

Geographical expansion and struggle for subscribers

According to The Hollywood Reporter, Paramount Global reached 60 million Paramount+ streaming subscribers worldwide at the end of March, a gain of 4.1 million from nearly 56 million at the end of 2022. Paramount+ revenues increased 65% year-over-year. In addition, Paramount's advertising-supported streamer Pluto TV grew its monthly active users to 80 million as of 31 March from 78.5 million at the end of the fourth quarter of 2022. Paramount Global attributed "the global subscriber growth to its robust content library", adding that it expects "healthy subscription revenue growth over the next several quarters as a result of Paramount+ combining with Showtime".




In addition, at the end of March, [Tencent Video](#), the Chinese video streaming service, announced that its subscription base dropped by 9% year-on-year to 113 million subscribers. According to the company, this drop is related to an important delay of content releases. However, Baidu's [iQiyi](#), the key competitor of Tencent Video in the Chinese VOD market, achieved “a surge in paying subscriptions”. During the fourth quarter of 2022, the average daily number of subscribing members “was 110.9 million, compared to 96.4 million for the same period in 2021”. Gong Yu, CEO, stressed that “our drama market share reached historical high (...) We recorded over 10 million net subscriber additions in Q4”.

Finally, according to [Variety](#), US film and television content “captures 30% of viewing time in key Asia-Pacific territories, while Korean product takes 40%”. The study focused on ten Asia-Pacific markets: Australia, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, and Vietnam. Australia reports the highest share of US content with 72% of total viewership, while “Korea content takes only 4% in that English language-led market”. Australia is followed by Singapore, Malaysia and the Philippines with 40-50% of US share in terms of viewership on average. However, in two key VOD markets – Japan and Korea – US content has limited impact as Korean drama and Japanese anime are very attractive. As [The Hollywood Reporter](#) mentioned, “film and TV content from the US and Korea remain the two pillars of VOD consumption across the growth markets of the Asia-Pacific region”.

New partnerships and business plans

The French music streaming service [Deezer](#) announced that it plans to identify Artificial Intelligence (AI)-generated music, by “building a set of tools to detect AI-generated content and to tag these tunes in the app” and alerting artists, labels and users to this “fraudulent activity”. [Deezer](#) will start with songs “using synthetic voices of existing artists”. Jeronimo Folgueira, CEO of Deezer, stated that “there’s an opportunity now to get things right from the start of the AI revolution, and not make the same mistakes as the social media giants did when fake news started to flood their platforms”. The long-term goal of [Deezer](#) is “to develop a remuneration model that distinguishes between different types of music creation” because today “the current dominant streaming model values music purely in terms of consumption: the more streams it gets, the more valuable it is, and the more money it makes”.



According to [CNBC](#), the Netflix crackdown on password sharing appears “to be having the effect the streamer was looking for”. In the US, Netflix has seen “its four biggest days of subscribers additions in the four-and-a-half years” and this boost was taking place “after Netflix began rolling out its password sharing crackdown”. According to [CNN](#), “Netflix added 100 000 new accounts on both 26 May and 27 May, shortly after the crackdown went into effect”.

In April 2023, [Netflix](#) announced that it would invest 2.5 billion USD in Korea over the next four years, including on television series, films and unscripted shows. According to [The Hollywood Reporter](#), the investment “will include funding for training programs for aspiring filmmakers and the next generation of creators in front of and behind the camera”. The co-CEO of Netflix, Ted Sarandos, stated that “a staggering 60 percent of our members have now watched one Korean title – with viewing of K-content up six-fold globally in the last four years”, adding that “90 percent of K-romance viewing now comes from outside Korea”. [Variety](#) pointed out that over a few years, Netflix has expanded “its role in the Korean industry from licensor and co-producer to commissioner and producer of a large slate of originals”.

In addition, [Netflix](#) made a key shift in how it reports its Top 10 rankings. From end of June, it provides “an estimated viewership for the weekly charts of its top shows and films”. According to [Variety](#), this shift represents a key development “in the opaque world of streaming ratings. No streaming service has provided consistent estimated viewership for their offerings until now”.

Finally, according to [Deadline](#), Warner Bros. Discovery plans to license on a non-exclusive basis HBO original series to rival Netflix, which means that they will “continue streaming on [MAX](#), the streaming service of Warner Bros. Discovery”. “Such a deal would mark the first time in nearly a decade that HBO shows would exist on a rival VOD service in the United States”. Warner Bros. Discovery reports 97.6 million subscribers across HBO, MAX and Discovery+.

Additional readings for the July report:

- How streaming platforms make you more likely to watch certain programmes – new research, *The Conversation*, 26 June 2023, [Link](#).
- Microsoft and Google rivalry could supercharge development of AI, *The Conversation*, 20 June 2023, [Link](#).

Indicative sources :

- Netflix UK calls for “clarity” over new streaming regulations, *NME*, 30 May 2023, [Link](#).
- Spotify fined in Sweden over GDPR data access complaint, *TechCrunch*, 13 June 2023, [Link](#).
- Paramount Streaming loss widens to 511 million USD as Paramount+ hits 60 million subs, *The Hollywood Reporter*, 4 May 2023, [Link](#).
- Netflix updates top10 charts to include estimated viewers in addition to hours viewed, *Variety*, 20 June 2023, [Link](#).
- Taxe streaming : le rapport Bargeton relance le débat qui déchire la filière musicale, *Les Echos*, 24 April 2023, [Link](#).
- As AI made music explodes, Deezer lays out strategy to identify AI tracks, *Music Business Worldwide*, 6 June 2023, [Link](#).
- Chinese streamer iQiyi enjoys a miraculous fourth quarter surge in subscribers and profitability, *Variety*, 24 February 2023, [Link](#).
- Netflix subscriptions rise as password-sharing crackdown takes effect, *CNBC*, 9 June 2023, [Link](#).
- Warner Bros. Discovery reportedly considers licensing HBO titles to Netflix, *TechCrunch*, 21 June 2023, [Link](#).

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