

Spotify in Korea: Content Gatekeeping

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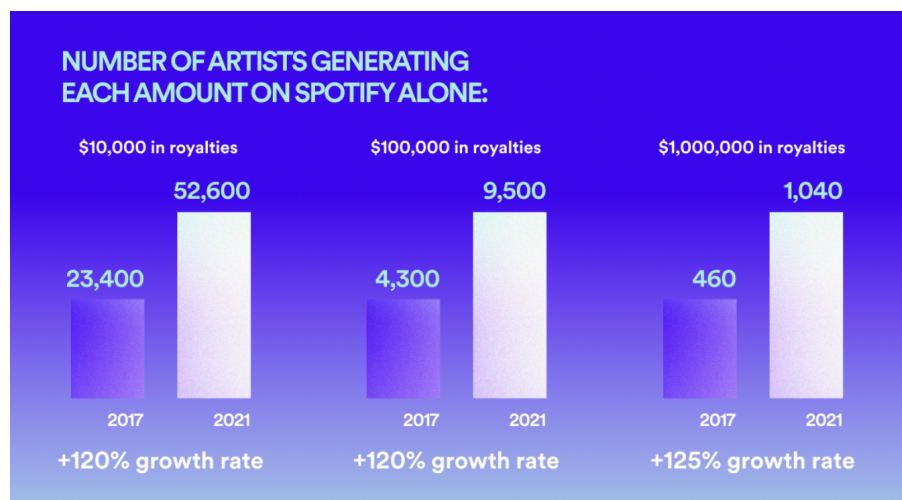
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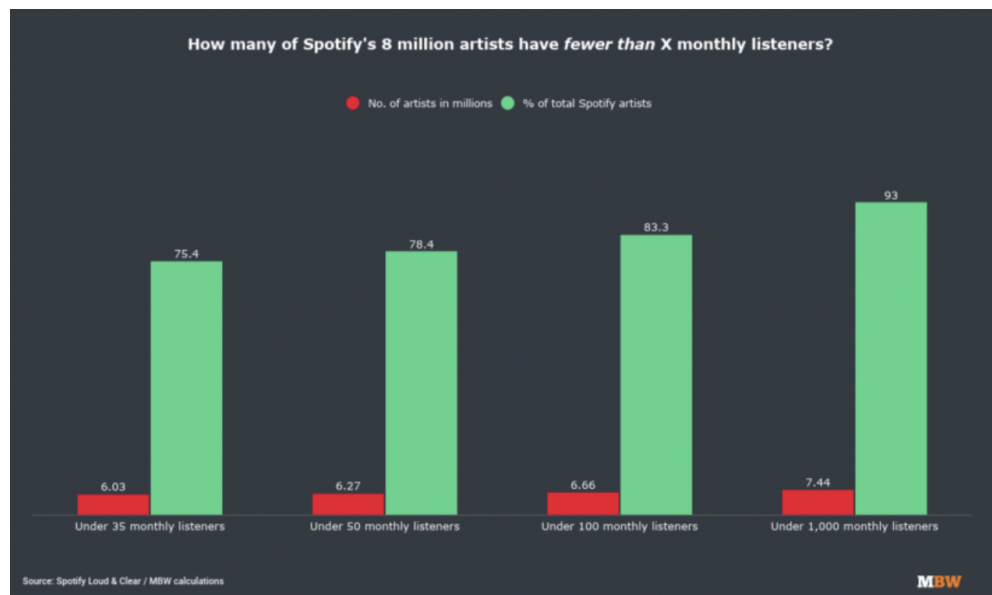
Spotify in Korea: Content Gatekeeping

Spotify was founded in 2006 in Stockholm, Sweden by Daniel Ek and Martin Lorentzon. The app was created in response to the growing issue of online music piracy in the early 2000's. As of 2021, Spotify has 365 million users. That number is expected to grow by the end of 2022 to 422 million users worldwide. Spotify operates on a freemium model, meaning it offers free access and premium access. Free Spotify access comes with lower sound quality, advertisement and requires an internet connection. Those with Premium Spotify access can listen to uninterrupted, high quality sound, with the ability to download content for offline listening. Users have access to a large list of music genres from around the globe to pick from. As of 2021, Spotify has over 5000 distinct genres.

The app has made music much more accesible, while in the process creating conflict with artists about payouts. Spotify pays artists from .0033 to .0054 per stream. Meaning artists need around 250 streams to make a dollar on Spotify (Jacob 2021). To increase transparency around its payouts to artists, Spotify launched the Loud & Clear website. This website offers data on the past year to see how much Spotify has paid its artists and other data related to that.



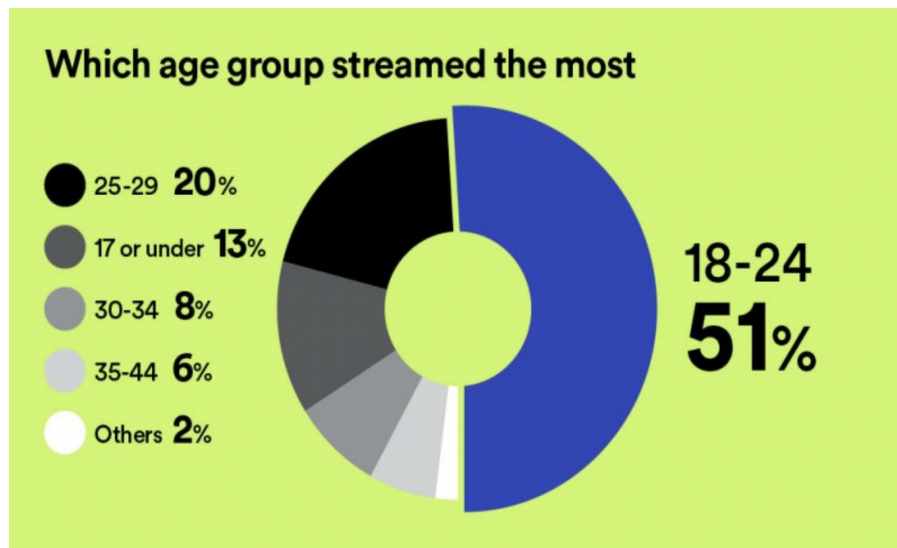
According to Spotify, there were 52,600 artists that made \$10,000 in royalties in 2021 alone. The data neglects to acknowledge how many artists have multiple people working with them. The \$10,000 payout would need to be split between all people involved. That would most likely leave artists receiving a small amount of the payout, especially if they are working under a music label. In contrast, independent artists struggle to even make a dollar off music royalties.



When looking at monthly listeners on Spotify, a large percentage of people have a small following on Spotify that most likely isn't providing a large sum of payout for the artist. In 2021, 93% of the 8 million artists on Spotify had under 1,000 monthly listeners. That means only 7% of artists on Spotify have more than 1000 monthly listeners. As stated previously, artists need 250 streams to make a dollar. Spotify claims to provide the opportunity for large exposure for independent artists, but it appears their algorithm only benefits larger, popular artists.

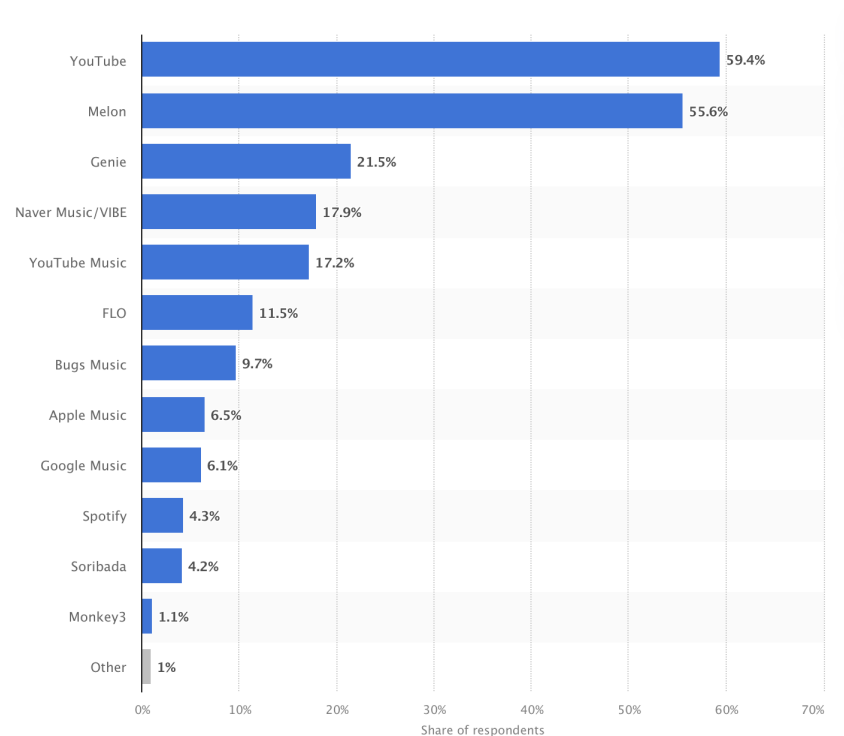
In 2014, Spotify released its first K-Pop playlist. From 2014 to 2020, K-Pop listening on Spotify increased by 2000% (Spotify 2020). Users have streamed more than 180 billion minutes of the genre and added K-Pop tracks to more than 120 million playlists. The Korean music

market has become the sixth largest in the world (Spotify 2020). K-Pop has become a massive success. It is popular amongst young adults all around the world. K-Pop dominates South Korean radio, leaving independent artists to have to grow their following organically, whether that is posting to YouTube or performing on the streets. According to Spotify, the largest demographic of people who streamed K-Pop since 2014 were 18-24 year olds. Despite the popularity of the genre, South Koreans did not have access to Spotify until the first half of 2021. In 2020, Spotify announced South Korea as their 93rd market.



South Koreans had other streaming platforms available prior to the launch of Spotify. According to Statista, the most popular platforms for music streaming in 2021 amongst people in their twenties were Youtube and Melon. Melon is a music streaming platform that is exclusive to South Korea and launched in 2004. Melon is owned by Kakao M (a subsidiary of the Kakao Corporation), who represent several popular K-Pop artists and have a licensing agreement with Spotify. Kakao M controlled distribution for nearly 40 percent of the songs featured on one popular “Top 400” Korean chart for the year 2020 (Romano 2021). Other popular music

platforms are KT Corp’s Genie Music and SK Telecom’s Flo. The South Korean market for music streaming platforms is a saturated one. The same way the music industry is saturated with produced acts competing for spots on television and radio. Spotify argues though that its scale and operations have played a part in expanding the success of Korean music, not just K-Pop (Aswad, Frater 2021). Spotify has played a role in growing the following for K-Pop, but the South Korean population already has a lot of streaming apps with the music they listen to. The chart below shows that at the end of 2021, only 4% of the South Korean population in their twenties was using Spotify.



In celebration of its launch in South Korea, Spotify curated several K-Pop playlists. These playlists were exclusive to South Korea and were categorized into four groups. The “TOP, Genre, Thematic, and Starring” playlists. Spotify promoted its release by emphasizing how users

could have personalized music recommendations and help independent artists. The company opened an office in Seoul, South Korea and began supporting the Korean language on their app. The curated playlists were eventually added to the Spotify K-Pop hub. The hub is localized in 64 countries, including Russia, India, Brazil, and the UAE. Spotify also announced it would include two features in its launch: Spotify for Artists and Spotify Podcasts.

Spotify for Artists is a feature for local South Korean artists that provides stats and other helpful resources in order to get a bigger reach on the app. The app also offered South Korean artists a feature called “Canvas,” which let artists experiment with their album artwork by creating short-form looping videos for each of their songs. Spotify Podcasts was meant to support local content creators to make diverse content like original podcasts for South Korean users.

Spotify Korea released on February 1, 2021. That same month, a large number of K-Pop artists went missing from Spotify. All artists under Kakao M were no longer available on Spotify. There was massive backlash on social media, with #SpotifyIsOverParty trending on Twitter, as many users were canceling their Spotify subscriptions in protest (Romano 2021). Spotify went down for maintenance that same day, but many people speculate that it was to prevent more people from canceling their subscription (Romano 2021). Spotify released a statement that they needed two separate licensing agreements with Kakao M, both globally and domestically. Spotify had failed to come to an agreement with Kakao M. This was a surprise to not only fans but artists under Kakao M who had suffered huge financial loss by missing out on royalties from streams. Some artists took to social media to express their frustration about the situation. Larger

artists were able to have their music restored on Spotify within a few days, but smaller artists had to wait until the agreement was settled between the two companies.

Another reason the launch was unsuccessful was because of its cost. Prior to launch, Spotify announced their prices and said they would not have any free tier for users. Spotify offered two plans, Premium Individual (10,900 won, or \$9.75) and Duo (16,350 won, or \$12.71), which allows up to six people in one household. This is in comparison to other platforms' subscription fees, which are usually around 8,000 won (or \$6.22) for one person.

Spotify changed the way music is consumed. The rise of K-Pop has created a large and loyal global following for artists like BTS, BlackPink and smaller artists like Seventeen and Loona. Spotify has made it more accessible for independent artists to post their music but it seems to not go any further than that. Independent artists are still struggling to beat the algorithm that favors popular artists. As a result, they receive no payout for their work. Even popular artists have their struggles with the industry. Corporations have a lot of control over an artist's music and it is conflicts like this that show artists under labels suffer more of a financial loss than corporations.

If I was an executive at Spotify being tasked with addressing this crisis, I would have released a statement long before Kakao M would take the music off the app. The company knew it was coming and the public and even the artists themselves found out until after it had already happened. I would not have waited until it was going to cause controversy and make people angry. As Spotify keeps expanding to new countries, the company will have to keep more artists in the loop about what the company is doing with their music, rather than waiting till after a crisis to inform them.

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