



**TECHNOLOGY
IS CULTURE**



DIGITAL OPPORTUNITIES

CULTURE AND INNOVATION

THE WIDESPREAD ADOPTION OF DIGITAL TECHNOLOGIES BY CONSUMERS, BUSINESS, AND CREATORS TOUCHES ALMOST EVERY CONSUMER AND INDUSTRY IN EUROPE, INCLUDING THE CREATIVE AND CULTURAL SECTORS.

KEY INSIGHTS INTO THE RAPID GROWTH OF THESE OPPORTUNITIES DEMONSTRATE HOW DIGITAL AND INTERNET TECHNOLOGIES SUPPORT THE DYNAMIC GROWTH OF CREATIVITY, THE AVAILABILITY OF CULTURE AND ACCESS TO CULTURE.

EVIDENCE-BASED POLICY MAKING IN THIS AREA CAN BE CHALLENGING. BUT THE CREATIVE BOOM WE ARE WITNESSING TODAY CANNOT BE PROPERLY UNDERSTOOD THROUGH DATA AND CONCEPTS DESIGNED DECADES AGO TO FOCUS ONLY ON ESTABLISHED CREATIVE INDUSTRIES. IGNORING THIS BOOM RISKS JEOPARDISING NOT ONLY ECONOMIC GROWTH BUT ALSO AS EUROPE'S CREATIVE FUTURE.

TECHNOLOGY AND INNOVATION AS ENABLERS FOR CREATIVE INDUSTRIES



REVENUES ARE NOW GROWING, NOT SHRINKING

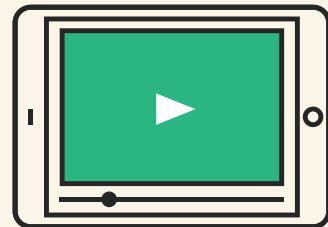
IN RECENT YEARS, TECHNOLOGY AND INNOVATION HAVE EMERGED AS KEY ENABLERS OF GROWTH IN THE CULTURAL SECTOR

From 2001 to 2011, all growth in the creative sector was driven by digital media (€30 billion).¹ In recorded music, Europe saw digital growth of 13.3%, and the overall recorded market grew in France, Italy, Germany, Netherlands and the UK in 2013.² According to PwC, global spending on digital music will surpass physical distribution in 2015,³ as this is already the case for the UK, the US, Sweden, and South Korea.⁴ iTunes reached the milestone of 25 billion songs sold in 2012.

13.3%
DIGITAL GROWTH IN EUROPE

327%
INCREASE IN DIGITAL VIDEO SUBSCRIPTIONS IN 2012

For film, according to the MPAA, box office revenues reached \$35.9 billion in 2013, up 4% from 2012 and all regions experienced growth in 2013. Total spent on online video transactions rose 97.1% from 2011 to 2012, and spending by European consumers on digital video subscriptions increased by 327% in 2012 alone.⁵ In a class of its own, the EU app sector grew from zero in 2009 to €17.5 billion in revenues in 2013.⁶



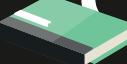
1 Booz & Co, 'The Digital Future of Creative Europe' (2013),
2 IFPI, "Digital Music Report" (2014),
3 PwC, "Global entertainment and media outlook: 2012-2016" (2012)

4 BPI, "Digital Music Nation" (2013),
5 HIS, Screen Digest
6 Gigaom Research, "Sizing the EU app economy" (2014)

DIVERSITY IS EXPLODING, NOT SHRINKING

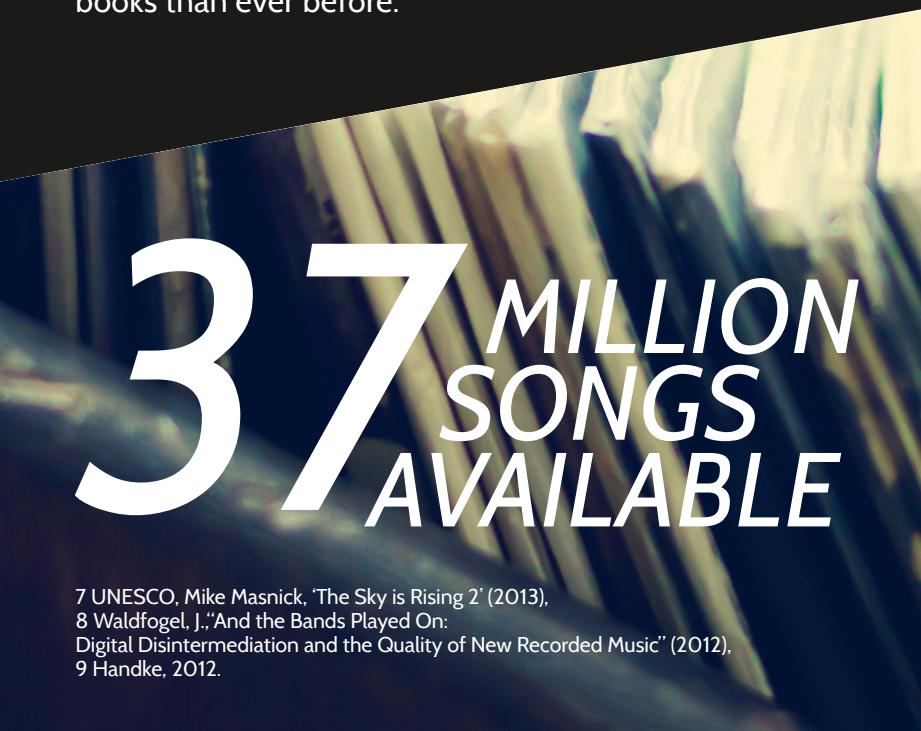
More creative content is being produced, discovered, and consumed than ever before. The number of books published in Europe has grown by close to 80% between 1995 and 2011.⁷ In Germany⁸ the annual release of new music albums has increased significantly since 2000 and the number of new releases increased by more than 54.7% between 1998 and 2006.⁹ Digitally, consumers can access a wider choice of music, film and books than ever before.

*THE NUMBER OF BOOKS
PUBLISHED IN EUROPE
HAS GROWN BY*

 **80%**

BETWEEN 1995 AND 2011

On leading digital music services, there are now 37 million songs available.¹⁰ This is driving an increase in the diversity of creative content accessed. The number of releases by independent labels in the US now exceeds releases by major labels by a factor of two. There are more artists achieving success; the number of different artists per year featured in the Billboard Top 200 has increased from about 600 in 1999 to 1000 artists in 2010, a 67% increase.¹²



37 MILLION SONGS AVAILABLE

7 UNESCO, Mike Masnick, 'The Sky is Rising 2' (2013).

8 Waldfogel, J., 'And the Bands Played On: Digital Disintermediation and the Quality of New Recorded Music' (2012).
9 Handke, 2012.

*NUMBER OF DIFFERENT ARTISTS
PER YEAR
FEATURED IN THE BILLBOARD*

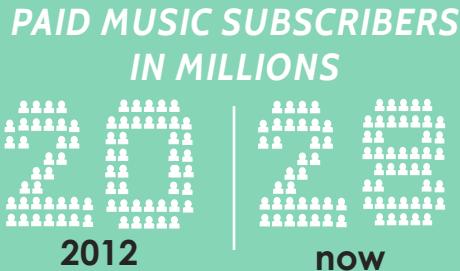
TOP 200



10 IFPI, "Digital Music Report" (2014)

11 Waldfogel, J., 'And the Bands Played On: Digital Disintermediation and the Quality of New Recorded Music' (2012)

The assumption that technology is driving demand for free and undermining consumer willingness to pay is incorrect. First, free access to creative content is not new; free radio broadcasts, television broadcasts, and newspapers (e.g. Metro) have been available for decades in the analogue era. And hard evidence points the other way: consumer spending in the creative sector is up 25% from 2001, and revenue per usage hour in the EU-27 countries have increased [...] by more than 130% for Internet-related products and services.¹² In the music sector, annual individual music purchases have increased since 2006,¹³ with another record mark of 1.65 billion music purchases in 2012, up 3.1% compared to 2011.¹⁴ There are now 28 million paid music subscribers globally, up from 20 million in 2012¹⁵ and in Sweden, 50% of Internet users have a paid subscription service.



CONSUMERS SPEND MORE ON CREATIVE CONTENT, NOT LESS

Global music streaming services are now a \$1 billion business for right holders. In mid-2012, digital subscription for the Financial Times passed 300,000 users, overtaking the number of print subscribers, the equivalent to 30% year-on-year growth in digital sales.¹⁶ Digital distribution enables the creative industries to produce new types of content to meet consumers' demands. For example, the popularity of short stories on digital services (like Amazon) have created new opportunities for writers and publishers, the apps market has enabled foreign and European startups (like Rovio in Finland) to flourish via digital distribution for their content, and new revenue opportunities are arising for authors and music publishers.

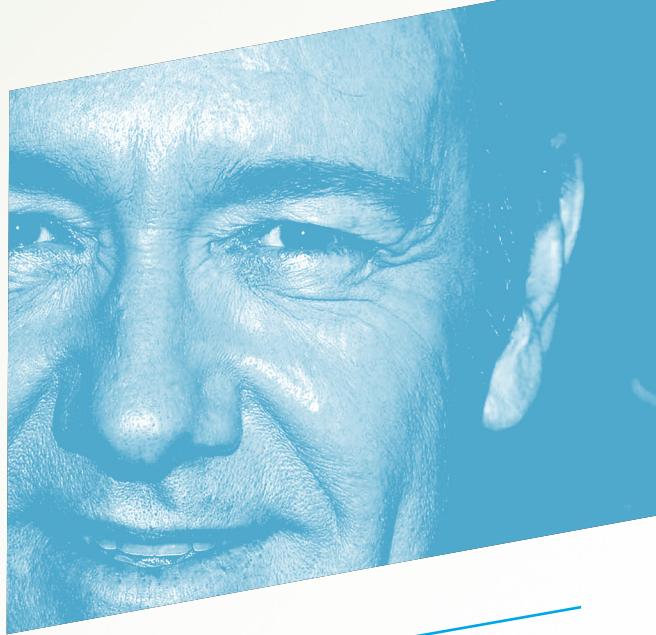
CONSUMER SPENDING ON THE CREATIVE SECTOR



12 Booz & Co, 'The Digital Future of Creative Europe' (2013)
13 uneCore, "Music Purchases and Net Revenue for Artists are Up Gross Revenue for Labels is Down", (2010)

14 Nielsen Group, "The Nielsen Company & Billboard's 2012 Music Industry Report" (2012)
15 IFPI, "Digital Music Report" (2014)
16 Booz & Co, 'The Digital Future of Creative Europe' (2013)

“ As Kevin Spacey puts it: “Give people what they want, when they want it, in the form they want it in, at a reasonable price, and they’ll more likely pay for it rather than steal it. [...] And the audience has spoken. They want stories. They’re dying for them. They’re rooting for us to give the right thing. And they will talk about it, binge on it, carry it with them on the bus and to the hairdresser, force it on their friends, tweet, blog, Facebook, make fan pages, silly GIFs, and god knows what else about it. Engage with it with a passion and an intimacy that a blockbuster movie could only dream of. And all we have to do is give it to them.”¹⁷ ”



GETTING THE EVIDENCE RIGHT: RECOGNISING A DYNAMIC, EVOLVING CREATIVE LANDSCAPE

At a time when the sector is so dynamic, evolving, and continuously growing, getting the facts right is a challenge for evidence-based policy making. The tools to measure and capture those changes are not yet fully available. Yet without proper understanding, the risk of policies negatively impacting the development of the cultural sector during a dynamic phase of change and adaptation to the digital environment is real.

¹⁷ Huffington Post, “Kevin Spacey Speech Urges Broadcast Networks To Adopt Netflix Model At The Edinburgh Television Festival” (26/08/2013).

RECOGNISING DIGITAL TECHNOLOGY AND THE INTERNET AS ENABLING THE CREATIVE SECTOR

THE ROLE OF TECHNOLOGY AS AN ENABLER WITHIN THE CREATIVE SECTOR SHOULD BE RECOGNISED AND FACTORED INTO POLICY ANALYSIS.

Creative production has benefited tremendously from technological innovation. This is not new:

THE DURATION OF MOST MUSIC TITLES TODAY IS LARGELY THE REMNANT OF THE ORIGINAL FORMAT OF 78 RPM-SPEED PHONOGRAPH RECORDS (3 TO 5 MINUTES PER SIDE).

Today, technology enables 3D films, special effects and new collaborative work streams. It reduces production and distribution costs (and hence barriers to entry) and allows greater reach in distribution and better discovery of creative content.

Digital technology provides music creators with better opportunities to produce their content and reach their audience at a lower cost¹⁸: Around 66% of revenues from a digital download now go to the artist and label, compared to around 32% for a CD sale.¹⁹ Digital data analytics transforms creative and distribution processes. By measuring fan engagement on Facebook, Twitter or YouTube, content creators can understand and connect with their audiences and gain new insights, including where and when to tour, what interests the public most, etc.



¹⁸ Knopper, 2009; Waldfogel, J., "Bye, Bye, Miss American Pie? The Supply of New Recorded Music Since Napster" (2011)

¹⁹ Booz & Co, 'The Digital Future of Creative Europe' (2013)

30%

OF U.S.
ADULTS GET
NEWS ON

facebook

ONE OF THE BIGGEST
DRIVERS OF TRAFFIC
TO MEDIA SITES

THE DAILY MAIL GETS

10%

OF ITS TRAFFIC
FROM FACEBOOK



Kevin Spacey's hugely successful *House of Cards* launched because Netflix's data analytics gave them confidence to back a project without a classic pilot stage. Artists and the touring industry organise concerts by seeking fan input (Demi Lovato and Shazam) and by allowing people to attend digitally (LiveNation). TV industries gather intelligence from their audiences through social media. Data-driven journalism is boosting journalists' ability to analyse and investigate, as illustrated by the Guardian.²⁰

Discovery on social networks (Facebook) is also one of the biggest drivers of traffic to media sites. For example, The Independent (UK) saw referrals from Facebook grow 680% during the course of 2010. French TV channel TF1.fr saw a 600% increase in traffic since introducing social plugins. Likewise, the UK's Daily Mail is now the second largest news site in the world, with 10% of its traffic from Facebook. As a result, consumers are exposed to more diversity of information and news.²¹

“ Presenting digital and Internet technologies as separate from the creative sector artificially polarises the debate and ignores reality. Concretely and economically, digital and Internet technologies are key drivers of growth in the creative sector. The most obvious consequence is that hampering the growth of digital and Internet technologies directly hampers the creative sector. ”

20 Guardian, 'Data journalism at the Guardian: what is it and how do we do it?', (28/07/2014) / The Data Journalism Handbook (2011)

21 the majority of content consumers see on Facebook is from "weak ties", not their close friends.

RECOGNISING INNOVATION IS UNPREDICTABLE

INNOVATION DRIVES NEW OPPORTUNITIES FOR CREATIVITY. "MARKET GROWTH AND DIGITAL INNOVATION ARE DYNAMICALLY INTERTWINED, MEANING THE NEXT TEN YEARS SHOULD BE EQUALY AS GAME CHANGING AND THRILLING," ACCORDING TO GEOFF TAYLOR, CHIEF EXECUTIVE OF THE BRITISH PHONOGRAPHIC INDUSTRY.²³

In less than 10 years, digital music downloads on iTunes went from zero to 25 billion songs sold. Streaming services emerged staggeringly fast as a new source of growth. Spotify has now paid over \$1 billion in royalties to date (\$500 million were paid just in 2013). Deezer reached the milestone of 5 million paid subscribers in 2013. YouTube has now paid over \$1 billion to the music industry. Legal music services and other content services are reaching consumers across the EU as well as in emerging markets across the world. Beyond music, the *Veronica Mars* film was produced following support from fans, raising \$5.7 million on Kickstarter for a movie that reportedly cost just over \$6 million to produce and was released on the same day in cinemas, digital rental, and download-to-own rental.²⁴



Flickr has more than 92 million unique global users and houses more than 106 billion photos. Over 80 million new posts appear on Tumblr blogs every day.

The app economy did not exist a decade ago, but thanks to technological innovation, it is now a booming outlet for creative and entrepreneurial talent, fuelling growth and jobs in the EU.

"TO WORK TOGETHER, CREATORS, CREATIVE INDUSTRIES, AND DIGITAL INDUSTRIES NEED FLEXIBILITY AND SPACE TO EXPERIMENT, INNOVATE, AND DEVELOP NEW MODELS. REGULATION CANNOT PREDICT THE FUTURE, AND LEGISLATING A BUSINESS MODEL IS SURE TO FAIL AND HEAVILY BURDEN EUROPE'S CHANCE OF DEVELOPING A DIVERSE AND VIBRANT CREATIVE SECTOR."

23 BPI, "Digital Music Nation" (2013)

24 Wall Street Journal, "Veronica Mars' to Break the Mold for Movie Releases", (21/02/2014)

RECOGNISING THE CHANGING NATURE OF CREATIVITY INSTEAD OF IMPOSING OUTDATED AND STATIC VALUE CHAINS

TOMORROW'S TALENT IS BURGEONING ONLINE. THE NOTION THAT THE DIGITAL TECHNOLOGIES OR THE INTERNET DERIVE THEIR VALUE FROM CREATIVE CONTENT PRODUCED EXCLUSIVELY BY ESTABLISHED COPYRIGHT INDUSTRIES IS A MISTAKE AND A DISSERVICE TO EUROPE'S NEXT GENERATION OF CREATIVE TALENT.

WordPress users produce about 36.3 million new posts and 63.1 million new comments each month. One hundred thirty hours of video are uploaded to YouTube every minute. There are more than 77,000 active contributors to Wikipedia working on more than 22,000,000 articles in over 280 languages. There are 41,000 posts a second on Facebook, 5,700 tweets a second on Twitter, and 758 million photos were uploaded and shared online each day in 2013.²⁵ Berlin-based **SOUNDCLOUD**, which allows users to upload, record, promote and share their originally created content, has 40 million registered users and 200 million listeners (2013). In the EU-28, according to Eurostat, close to 23 million Europeans engaged in creating a website or blog in 2012,

including 14% of EU citizens aged between 16 and 24 years old, and over 83 million Europeans uploaded self-created content to a website, including 47% of 16 to 24-year-olds.

This form of engagement and creativity is only starting to be recognised and is still largely uncaptured in measurements of creativity.

WIPO NOW INCLUDES WIKIPEDIA EDITS AND YOUTUBE UPLOADS AS MEASURES OF CREATIVITY

In its global innovation index and in the UK, NESTA is leading on dynamic mapping of the creative industries including 'unorganised creators,' but modelisation and data are still scarce.

23 MILLION

EUROPEANS ENGAGED IN
CREATING A WEBSITE OR
BLOG IN 2012



83 MILLION

EUROPEANS UPLOADED
SELF-CREATED CONTENT TO
A WEBSITE

“

This form of engagement and creativity is only starting to be recognised and is still largely uncaptured in measurements of creativity.

”

THE RECORDING INDUSTRY



NOW EARNS MORE FROM

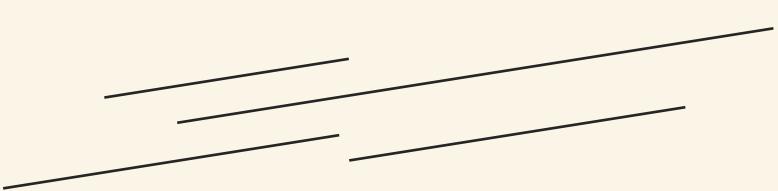
**FAN VIDEOS
ON YOUTUBE,
THAN FROM OFFICIAL MUSIC
VIDEOS**

Yet ignoring this in a policy context is *not* trivial and risks producing a singularly lopsided and inaccurate picture, as anecdotal evidence suggests. Various methods to value Wikipedia estimate a valuation in the tens of billions of dollars, a one-time replacement cost of \$6.6 billion with an annual updating cost of \$630 million and consumer benefit in the hundreds of billions of dollars,²⁶ offering access to information in over 280 languages. On YouTube, the recording industry now earns more from fan videos on YouTube, such as mash-ups and parodies, than from official music videos, according to Francis Keeling, Universal Music's Global Head of Digital Business.²⁷

CREATORS AND CONSUMERS USE CONNECTED DEVICES TO CAPTURE AND UPLOAD PHOTOS AND VIDEOS, CHECK THEIR SOCIAL NETWORKS, CREATE AND SHARE THEIR STORIES, AND WATCH [PUBLIC] VIDEOS ON YOUTUBE OR BROWSE WIKIPEDIA. IMPOSING A VISION OF AN ILL-CONCEIVED ARTIFICIAL VALUE TREE IS A MEANS TO AN END: NOT THE BASIS FOR EVIDENCE-BASED POLICY-MAKING. IT IGNORES THE NEW CROP OF CREATORS AND PROMISES TO JEOPARDISE THEIR ROLE IN THE DEVELOPMENT OF EUROPE'S CULTURAL SECTOR.

26 J. Band, J. Geraf, 'Wikimedia's Value' (2013)

27 The Star, "Recording industry earns more from fan videos than from official music videos" (07/05/2014)



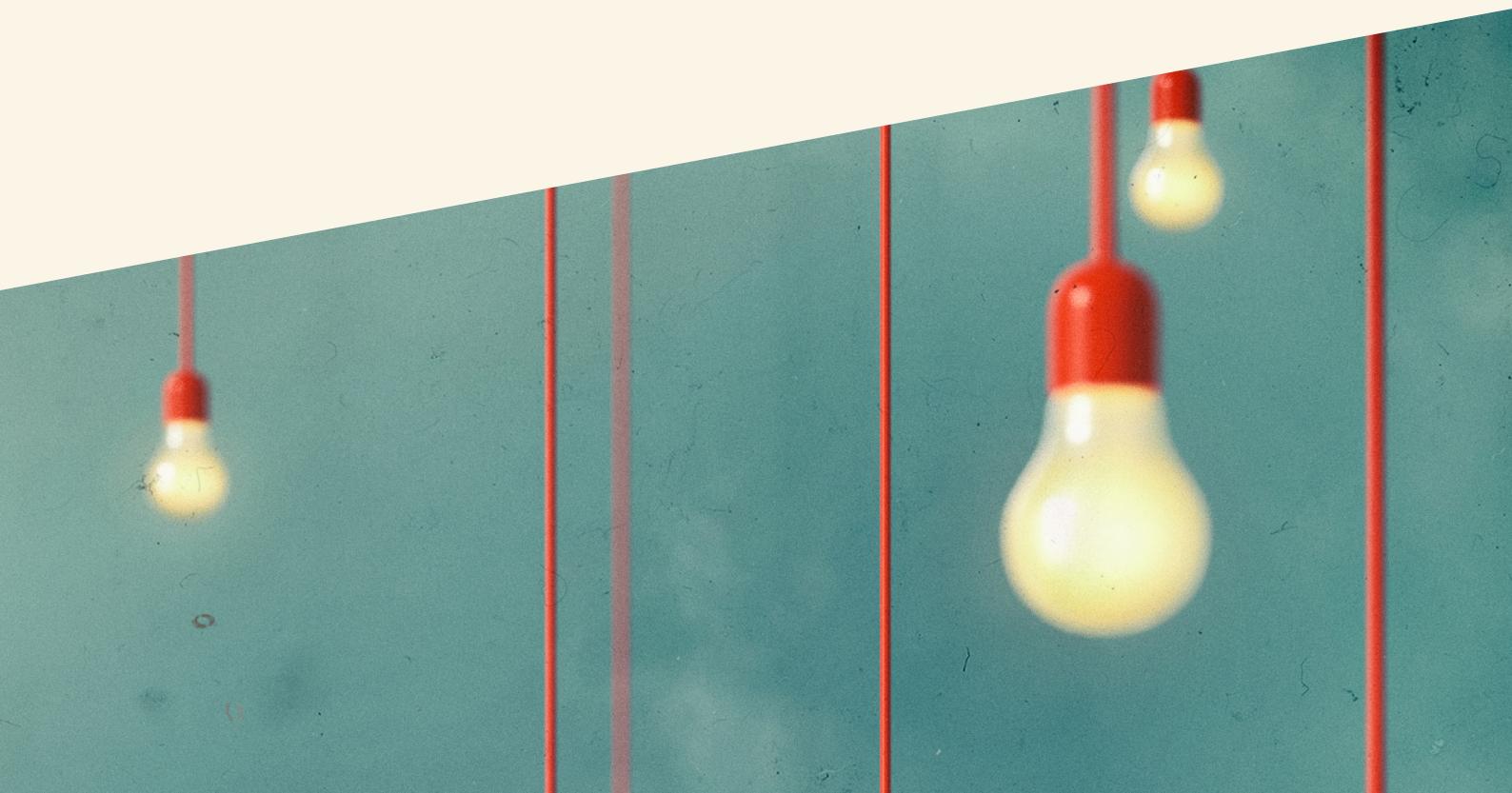
CONCLUSION

The creative landscape is dynamic, culturally diverse, consumer driven, and growing. This is largely the result of creators and digital and Internet technologies working hand in hand to develop new opportunities.

Embracing these opportunities is already bringing rewards as the creative sector establishes new digital models. At the same time, constant innovation in consumer access and experience is the hallmark of the digital age. This requires experimentation, trial and error, flexibility, speed, and an environment which fosters collaboration between digital innovators and the creative sector.

Recognising these basic facts is an essential prerequisite to a well-informed and effective debate on copyright [and cultural] policy. Pitching creators against technology neither reflects reality, nor is it conducive to a constructive debate. It also ultimately promises to shoot Europe's creative industries in the foot, jeopardising the place of Europe's cultural sector in a digital world.







*Technology, like art, is a soaring
exercise of the human imagination*

DANIEL BELL
Sociologist 1919

EDiMA



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