



worldwide
independent
network



Discovery Mode – Notes for WIN associations

[Discovery Mode](#) is a marketing tool that allows artists and labels to pitch tracks and influence Spotify's algorithm to prioritize them when a user listens to songs on autoplay or a radio based on a song, album, artist or playlist they select.

The tool is available at no upfront cost. This would seem beneficial for music creators, so what's the catch? Labels and artists involved get a lower payout (royalty) on streams that originate through Discovery Mode.

Discovery Mode can be seen as a reverse payola scheme that effectively creates a "Discovery Tax", capitalizing on Spotify's market power to apply royalty discounts in exchange for a fighting chance to be heard.

It leads to a "race to the bottom": what if all artists wanted to use this service? Using an analogy, if you are at the movies and one person stands to get a better view, this will work for them at first, but by the time everyone stands up, they are all back to square one.

Discovery Mode terms are not transparent and there is no guarantee that Spotify will apply caps on the royalty cut. Could increasingly reduced rates eventually become zero – free music all over again? The scheme has the potential to damage the entire music ecosystem.

Most of the companies promoting Discovery Mode are DIY music distributors with a fee-based business model for which it doesn't really matter which track is featured. For them, it is an opportunity to feature more tracks without making less profit.

Discovery Mode threatens the credibility of Spotify's trusted recommendation engine. We know what happened to paid posts on Facebook Pages: unless you pay to boost their reach, your posts will barely get to any of your followers.

Discovery Mode amounts to hidden advertising. Spotify doesn't tell listeners that they are hearing paid content when it feeds them these songs. It also violates its pledge to paid subscribers that they will not be served advertisements.

Streaming platforms are key partners to the independent sector, and we seek to develop a responsible marketplace together. But royalty payments for creators are already insufficient, with music subscription rates deflated compared to other markets.

IMPALA's [streaming plan](#) calls for assurance that there will be no reductions in royalties in exchange for enhanced plays, or privileged treatment in algorithms, or other features that recreate elements of payola.

WIN
April 2022