

By Eugene Yiga

A new approach to music streaming that will benefit smaller artists

Catherine Lückhoff, founder and CEO of NicheStream, is making waves in the online music world.

It was a combination of factors that inspired **Catherine Lückhoff to create NicheStream**. But the biggest driver was the underlying belief that there must be a way to make music streaming profitable.

"The idea was conceptualised in March 2014, but the company officially started operating in March 2015 after we closed a funding round in January of the same year," says Lückhoff. "I spent 2014 mostly focused on my previous start-up, HQAfrica.com. I did however use all my spare time and money to identify the building blocks for NicheStream."

Once all the key elements were in place – the advisory board, key partners, team members, content suppliers, and so on – Lückhoff created an investor deck and sent it to angel investors she thought may be interested. The business closed a \$250 000 round in five days.

"We are currently raising a seed capital round of \$1.5m at a pre-money valuation of \$3.5m," Lückhoff says. "The round is 50% subscribed and will afford us an 18-month runway to scale Liedjie [an Afrikaans music stream launched in February, now projected to break even at 26 500 subscribers] and release a second stream."

The NicheStream platform is custom-built to support multiple streams: each branded, curated, and promoted to a specific audience. The focus is on emerging markets where there is a need for affordable, curated music solutions, and where music and cultures are intrinsically linked.

"The users no longer have to wade through the clutter to find their favourite artists, tracks, and albums," Lückhoff says of the over 8 000 lifetime users who have registered since the platform's launch. "And artists no longer have to compete with international hit sensations for market share and revenue payouts."

NicheStream, which was one of the finalists in the FNB Business Innovation Awards this year, makes money from a monthly subscription (business-to-consumer) model and, in the future, will do so from business-to-business revenue generated through white-label platform-licensing agreements (i.e. building streams on behalf of mobile operators or brands); via in-stream brand advertising (e.g. artist endorsements, sponsored playlists, and the like); and through value-added service plugins (e.g. ticketing and



Catherine Lückhoff
Founder and CEO
of NicheStream

mobile vouchers that unlock retail discounts).

"The music industry is in flux, much like a teenager trying to figure out exactly who and what he or she should or wants to be," Lückhoff says. "While users rapidly adopt streaming, many artists and record companies are still reluctant to embrace the change. As a result, business models are struggling, services come and go, users are bombarded with choice, and we see an enormous amount of money being thrown at the problem without a clear vision for what the future holds."

And yet it's an exciting time to be in the business. Lückhoff recently attended the FastForward conference in Amsterdam where Benji Rogers, founder and chief strategy officer at PledgeMusic, was advocating the use of blockchain technology to include the relevant metadata for music tracks and videos.

He argued that doing so would make it easier for rights holders to assign rights and trace the use of their content. It's something that speaks to the lack of transparency that haunts the industry.

"I don't believe artists are being fairly compensated for their music streamed on 'all-you-can-eat' services," Lückhoff says. "The inequality gap is simply too wide for a local artist to compete against an international star backed by millions of record label dollars to promote their latest release and send them on tour. As a result, the market share of plays for smaller artists is too small to translate into any meaningful pay-out of the content revenue pool."

The challenge is to prove to artists that they can make money from streaming and that they should harness the distribution channel to complement and inform their touring schedules, their album and single releases, and their connection to their fans. And while many artists have been badly burnt, Lückhoff believes the key lies in creating streams that allow artists to only compete with their peers for market share of plays, and to plug in value-added services from the get-go.

She also believes in radical transparency and, to this end, is working on a dashboard that will allow artists to track the performance of their content on NicheStream's services. This will inform tour schedules, ticket sales, merchandising, artistic direction, and more.

"There will always be those who embrace disruption and those who fight against it,"

Lückhoff says. "Streaming has and will continue to disrupt the status quo. And until everyone is on board, we will see many more shifts and moves from established brands and newcomers alike." ■

editorial@finweek.co.za