



Catherine Lückhoff

# GOING AGAINST THE STREAM

Words Eugene Yiga

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

Is streaming the future of music? Catherine Lückhoff believes so. More than that, she believes that you can make music streaming profitable by giving fans an app built around their tastes and doing so at a fraction of the cost. It's what inspired her to create NicheStream, a platform that focuses on building targeted and profitable music streams.

"NicheStream creates 'homes' the music fans love and a dedicated distribution portal for the artists who create the music," Lückhoff says. "Our focus is on emerging markets where there is a need for affordable, curated music solutions, and where music and cultures are intrinsically linked."

Liedjie.com, its first stream, launched in February 2016 and is available on Android, iOS, the web, and via

an embeddable web widget on participating Media24 websites. The service offers a 30-day free trial, after which the monthly subscription fee is R49.99 for unlimited, ad-free and on-demand listening with offline capabilities.

“For the user it offers a culturally relevant, uniquely curated experience,” Lückhoff says. “And for the artist it offers an opportunity to not only be the star of the show, but to also earn meaningful revenue from a streaming platform.”

### KEY MILESTONES FOR RECORDED MUSIC

But can artists make money if they aren't megastars like Beyoncé or Adele? The numbers (like Shakira's hips) don't lie. According to the International Federation of the Phonographic Industry's Global Music Report for 2017, digital sales were half of worldwide industry revenues. Furthermore, digital revenue growth was up over 17% while streaming revenues grew over 60%, more than offsetting the decline in downloads (down 20.5%) and physical formats (down 7.6%).

“After two decades of almost uninterrupted decline, 2015 witnessed key milestones for recorded music: measurable revenue growth globally; consumption of music exploding everywhere; and digital revenues overtaking income from physical formats for the first time,” says Frances Moore, IFPI Chief Executive. “They reflect an industry that has adapted to the digital age and emerged stronger and smarter.”

Alas, celebrations are muted. Even though streaming now accounts for 43% of digital revenues and is close to overtaking downloads to become the industry's primary digital income stream, many streaming services are reporting huge losses. Spotify, a digital music service, reported losses of \$194m for 2015. SoundCloud isn't faring well either, having lost \$52m the same year.

“The occurrence of these risks can seriously affect the ability of the group to generate sufficient cash to cover the planned expenditures,” says Alexander Ljung, SoundCloud co-founder. “[This] could require the group to raise additional funds which have not yet been agreed.”

Read through the corporate speak and what he's saying is that they could run out of cash before the end of 2017. Worse, even though an estimated 100 million people are now paying for music subscriptions, most artists don't see a viable return. Spotify's average payout ranges from \$0.006 to \$0.0084 per stream.

“The message is clear and it comes from a united music community: the value gap is the biggest constraint to revenue growth for artists, record labels and all music rights holders,” Moore continues. “Change is needed.”

## “... YOU CAN MAKE MUSIC STREAMING PROFITABLE...”

### ON THE RIGHT TRACK

Part of the problem seems to relate to what psychologist Barry Schwartz discusses in his writing on the paradox of choice: when there's too much to choose from, people tend to choose nothing at all. Indeed, according to MIDiA, a boutique media and technology analysis company, only 5% of digital catalogues are frequented. This means that fans repeatedly listen to music they already love.

A special report from *The Economist*, published in February, corroborates this evidence by stating that of the 8.7m tracks that sold at least one copy in 2016, 96% sold fewer than 100 copies and 40% were purchased just once. Furthermore, Spotify said that 4m of its songs in 2013 (representing 20% of its catalogue at the time) received no interest at all.

“All the music in the world is a compelling proposition for super fans, but it is both a daunting prospect and more than is required for casual fans,” writes Mark Mulligan on the Music Industry Blog. “[Niche services] will be crucial to unlocking the scale end of the subscription market and they will be needed sooner rather than later.”

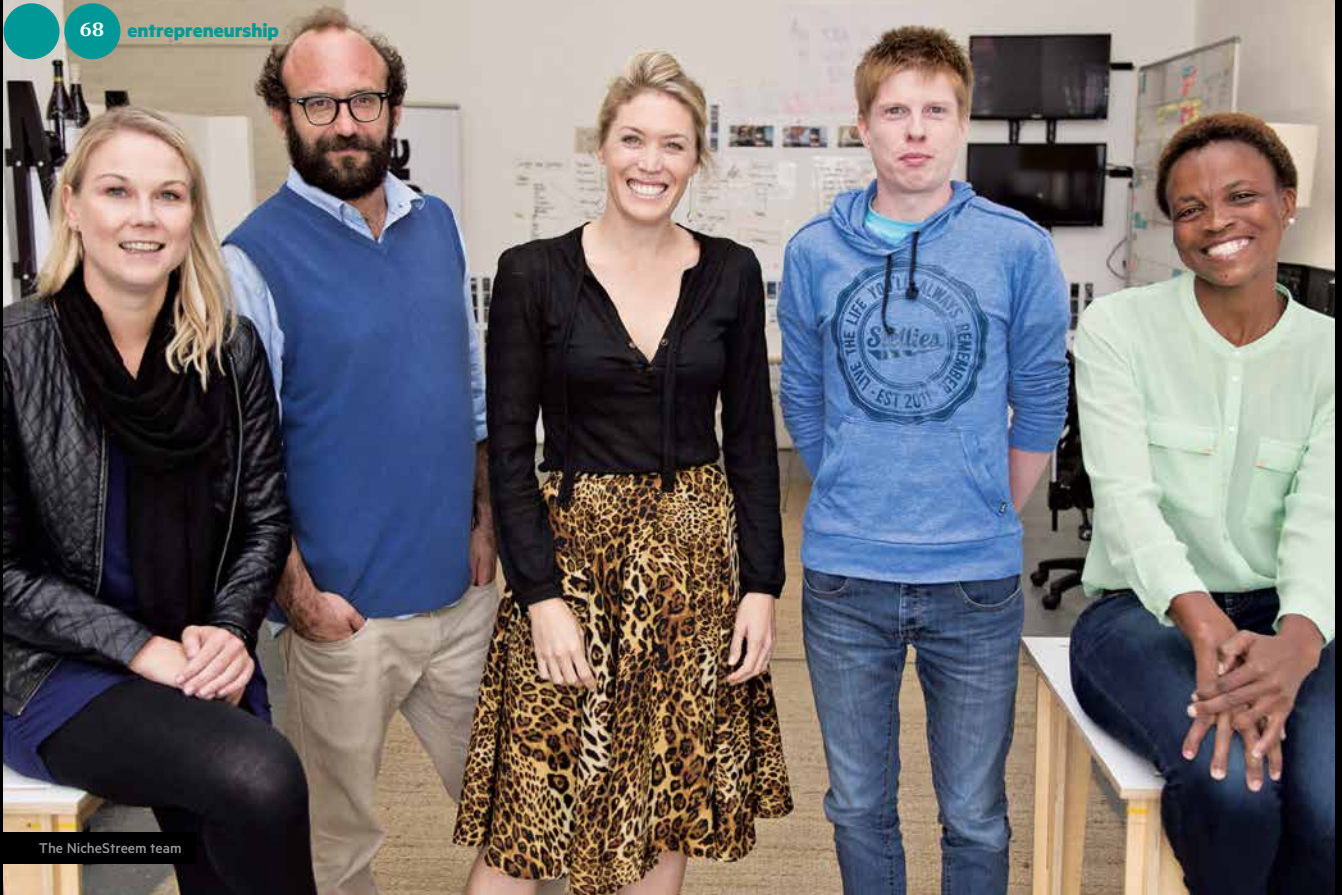
For Lückhoff, this is proof that NicheStream is on the right track. She acknowledges that there are companies with niche music streaming services (such as The Overflow in the United States) but, in Africa, NicheStream is the first to take this approach. And while services such as Apple Music feature Afrikaans content, Liedjie is the first dedicated service of its kind.

“What sets us apart is our price, depth of catalogue, content curation and localisation in terms of language, with Liedjie available for Afrikaans and English language settings,” she says. “But competition is a good problem to have as it proves that there is a market and it helps to grow the total addressable market with each new user who learns about and embraces streaming as a service.”

### A PERSONAL EXPERIENCE

Right now, the company is doing “as well as any start-up can hope”. While licensing agreements prevent it from sharing subscriber numbers publicly, Lückhoff is able to disclose that, as of June 2017, NicheStream had 13k+ registered users.

“Considering we've had limited to no marketing budget, we're pleased with the results,” she says. “Media24 just closed a \$500k



The NicheStream team

investment into NicheStream as part of our \$1.5m Seed Round and the first campaigns went live on *Netwerk24* and *Huisgenoot* in January.”

Since the launch of Liedjie.com, which features 40k+ tracks and 1 000+ curated playlists, the service has streamed in excess of 850k tracks. It’s one of the reasons Lückhoff is confident in the company’s ability (as well as that of streaming services as a whole) to compete with radio.

“The biggest difference is that streaming is an on-demand service versus radio where the station/DJ decides what will play next,” Lückhoff says. “I think the two are complementary with streaming being more of a personal experience and radio still filling the shoes of information disseminator, tastemaker and community builder.”

### MOVING THE NEEDLE

Looking ahead, Lückhoff is excited about several trends. Digital services embracing data analytics, transparency and value-added services (such as ticketing) are a definite positive.

“Our back end is built to gather in-depth data on target audiences, which we plan to harness to personalise the experience for each user through real-time recommendations and value-added services,” she says. “Data also allows us to connect brands, artists and users in a meaningful way.”

NicheStream is currently focused on scaling Liedjie both in South Africa and in expat markets. It also has two more streams in

“ ... THE COMPANY IS DOING ‘AS WELL AS ANY START-UP CAN HOPE’ ”

the pipeline for 2017/2018 and will soon begin creating a gospel stream focused on sub-Saharan Africa.

“Each niche service will have its own target audience, such as Nigerian gospel fans or Arabic music fans,” she says. “And each stream is an opportunity to unlock mutually beneficial distribution partnerships with telcos, media, cultural societies, artists and brands who all gain huge value from the relationship, be it access to audiences and/or content, stickiness and cultural relevance.”

By ensuring that artists only compete against a smaller pool of their peers, they’ll have a better chance of earning more money. Indeed, because this is exactly what the company’s streams offer, she’s confident that artists will have a more equitable chance of “moving the needle” on their market share.

“We want to prove that streaming can be profitable for the service and the artist,” she says. “It is only when both parties see the upside that the user will win.” ●

Learn more at [www.nichestream.com](http://www.nichestream.com) and [www.liedjie.com](http://www.liedjie.com).