To Stream or not to Stream?

A Look at the Modern Music Industry

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**To Stream or Not to Stream?**

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This study aims to analyze the impact of a music consumption model based on borrowing rather than buying music due to the digital revolution and growth of streaming services. The purpose of this project is to examine the economic impact of digital music distribution channels on artists, audiences, and music industry professionals. Research includes interviews with key players in the industry at various levels, including musicians, record label executives, and management personnel; surveys of the listening habits of peers; and reviews of statistical trends in the music industry. Interviews focus on perceptions of the economic sustainability of the recording industry in a post-streaming world at both major and independent levels. Surveys and statistics are used in order to reach conclusions and make recommendations to benefit artists, audiences, and industry professionals alike.
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**Background of recorded music**

In order to fully understand the impact of recent consumer trends in the music industry, it is important to have some background knowledge of how music came to be where it is today, beginning with Thomas Edison’s invention of the phonograph in 1877. When Edison invented the phonograph, the music industry of the time was centered on the sheet music market to those who wanted to play their favorite tunes in their homes. As many historians note, the very invention and implementation of recorded music as a primary method of music consumption caused disruption in the industry. In a short span of roughly two decades from Edison’s phonograph, the way consumers listened to music had changed forever due to the advent of the gramophone, improving record production technologies, and record labels.

Labels dominated the recorded music industry through the 20th century, leading the charge from singles to LPs, or albums. Industry revenues reached new heights during the 1980s and 90s with the introduction of the compact disc. CDs, which store music digitally, rather than in an analog format, were heralded as the future, and music fans flocked to record stores to replace their vinyl LPs and cassettes. These charts, courtesy of the Recording Industry Association of America demonstrate just how CDs went from an unknown form of media, to undisputedly the most popular form of recorded media in just twenty years. The boom in CD sales led to unprecedented revenue increases, peaking in 2000. Rob Campkin of HMV embraced the CD era, explaining that “in the mid-90s, retailers and labels felt indestructible...it felt like this was going to last forever”.

The CD era gave the industry a false sense of security. Everything was going so well, that nobody realized the good times could soon be over.

**Digital Revolution**

Unfortunately the digital revolution, and newer methods of digital distribution soon replaced the CD format and burst the revenue bubble. Digital music distribution as we know it today can be traced back to a 1999 Northeastern University dorm room, and hacker message boards, where Shawn Fanning and Sean Parker connected and founded Napster. Napster introduced peer-to-peer (P2P) networks and the ability to share data between any two people with an internet connection by creating a digital marketplace where users could upload their favorite songs and download copies of new songs that other users had already uploaded without any exchange of payment. Understandably, Napster grew like wildfire, still maintaining records for fastest company.

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growth. However, the recording industry soon sued Napster for copyright infringement and the company eventually collapsed and was sold in 2013 after a decade of legal battles.\(^5\)

From the shambles of Napster came more P2P networks including Kazaa. Once Napster in its original form was shut down, piracy hadn’t ceased, but Steve Jobs CEO of Apple had an idea that would circumvent the immediate collapse of the industry. Jobs believed that the process of piracy was too slow and unreliable. He went on to say in a 2003 interview with Rolling Stone, that “Our position from the beginning has been that eighty percent of the people stealing music online don’t really want to be thieves,”\(^6\) and that if people were offered an affordable and legal alternative to piracy they would take it. Thus iTunes was born, selling songs at $0.99 each to customers that appreciated the ease and quality of the service. Digital sales quickly passed their physical counterparts\(^7\) (below), thanks to Apple’s iTunes and iPod that made it easy to have digital versions of your music wherever you go. Furthermore, digital files require only digital storage, so music fans with garages full of CDs and vinyl LPs no longer needed to find space for their music if they simply went digital. Additionally, even moderately tech savvy individuals could utilize external storage units to create a digital music library larger than their computer alone could hold. Digital music stores also offered an advantage over CDs because they allowed for customers to choose which songs to purchase off of an album, making buying music more inexpensive and ushering in an industrywide refocus on singles.

![Figure 4](image)

Even though the digital revolution removed some barriers to owning music, resulting in a 100% increase in units sold over the last 10 years that this chart accounts for, from 2003-2013, raw revenues have taken the hit and dropped over 50% in the same time period. Quite simply, digital sales are

typically less expensive than physical copies for consumers. Figure 4, above, gives the impression that digitalization has lowered revenues but not below pre-CD levels. However, to make that comparison more accurate, we must use the following chart adjusted for inflation. 

![Figure 5](image)

After adjusting the numbers to inflation it becomes clear that the industry is suffering. Further losses are caused by pirated music and free listening services. While the industry leaders were focused on maximizing income from CD sales, they missed the cues announcing the digital revolution. With rapid technological developments, the industry is still lagging behind in utilizing the new options.

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As dedicated music fans filled hard drives with mp3 files, new entrepreneurs started to recognize that even digital storage could potentially become a barrier. The new solution was online music streaming, most successfully orchestrated by Swedish business leader Daniel Ek who launched his company Spotify in the United States in 2011. Due to Spotify’s track record in its home country of Sweden, American record labels were confident that a free streaming service would help combat piracy in the States and were happy to reach licensing agreements with the service.

**Income Stream Overview**

This analysis of various streaming services, and their impacts on different players in the industry would be incomplete without an overview of the various income streams in the music industry. Royalties in recorded music are split among several rights holders, including artists themselves. Traditionally, musicians are signed to record and publishing deals, which grant rights to recorded material to record labels and composition to publishers. This means that the musician who performed the song is owed a percentage of all revenue the record label makes from the sale of the recording. Additionally, the publisher collects a mechanical royalty of $0.091 per sale and pays a percentage of that to the songwriter(s), who may or may not be the performer. In this model, revenue from sales of music must go through the record label, which takes a pre-negotiated percentage, before passing the remainder on to artist and publisher. The money the label retains is a return on their investment in creating and releasing the album. There are several common models of releasing music for sale, differing largely based on the scale of the label an artist is working with. For example, independent labels generally don’t provide an advance the same way the major labels do, meaning that the value of their investment is lower and therefore the label doesn’t keep as much of the sales.

The most noticeable and important difference between the two models is that the major labels keep a larger share of revenue than independent labels do. This is sometimes offset by the resources and connections of major labels that make it more likely that an artist will have a mainstream and financially successful album.

Figure 6 (page 9) gives a visual representation of how income has traditionally been distributed from a digital sale, with larger scale record companies on top and independent musicians on the bottom. The revenue generated from a digital sale is collected by a record label or an aggregator like CD Baby or TuneCore, companies whose business is to collect these revenues and distribute according to licensing contracts.

Major labels typically share between 10-50% of these revenues with their artists, although that number is predominantly on the lower end of that range. Traditionally, this amount is justified by the large investments of labels into the production of an albums and the personnel involved.

Independent labels generally pride themselves on being more artist friendly. Although they don’t have the vast resources and distribution networks in house that the major labels have, an artist on an indie label will likely receive a higher portion of the sales based on their contracts and less initial investments.

A truly independent artist has the advantage of owning all rights and receiving all income. While it has traditionally been much harder for DIY artists to gain mainstream traction, the revenue that they are able to generate is entirely theirs. Although few internationally successful artists are truly independent, it has become easier recently for musicians to record their own music and reap the rewards of not being tied to a record label. A notable example of this is the rapper Macklemore’s 2012
album *The Heist*, which has sold nearly 1.5 million units and has been certified Platinum by the Recording Industry Association of America (RIAA).  

This process typically plays out a little differently with streaming than it has historically with digital sales. As mentioned before, as streaming takes on a bigger economic role in the industry, it has become imperative to track these revenues in order to highlight industry trends.

One difference between the distribution of funds from the two forms of consumption is that a stream is considered a performance of the recording, which means that the money that Spotify or any of the major streaming services pay out must include performance royalties to performance rights organizations (PROs), such as ASCAP or BMI who collect for registered publishers and songwriters. Additionally, the Copyright Royalty Board (CRB) in the United States provides a requirement of 10.5% of the revenues for the stream to be paid as mechanical royalty to a mechanical licensing agent or publisher, who then distributes an agreed upon amount to the artist. This 10.5% is different from the mandated $0.091 in mechanical royalties for digital sales. In theory both are roughly the same proportion, although the streaming rate is more fluid due to direct deals by labels with the streaming services and calculation by percentage of the total income from advertisers and subscribers.

Furthermore, the way that streaming services pay record labels is very different than how labels earn income through sales. Services typically pay out a total of between 60-70% of their revenue to labels in return for use of master recordings. For example, if a service earned $1,000,000 in subscription revenue, $600,000 of that would be paid out to labels. A label that accounted for 10% of the streams would receive $60,000, and their artist that made up 10% of their label’s streams would earn royalties on $6,000. Many of these deals between the labels and streaming services have a “per-subscriber minimum,” meaning that the company gets a certain amount per subscriber regardless of how much money is actually collected.

Figure 7 (page 10) gives a visual for this division streaming income, again with major labels at the top and DIY musicians at the bottom.

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For record labels that have a direct deal with services:

For artists who own their sound recording copyrights and use services like CD Baby or TuneCore:

For record labels that are represented by a digital aggregator/distributor:

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Figure 6

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For record labels that have a direct deal with services:

- PROS ASCAP, BMI, SESAC
- Publishers
- Record label
- Songwriter
- Publisher

*Rate of payment from label to artist/band depends on terms of contract, and whether digital sales is classified as a sale or a license.

For record labels that are represented by a digital aggregator/distributor:

- PROS ASCAP, BMI, SESAC
- Publishers
- Record label
- Songwriter
- Publisher

*Services pay streaming mechanical royalties to big publishers directly, or to a mechanical licensing agent like Harry Fox, Songtrust or Music Reports, which then pay their publisher members/clients. Songwriters need to be proactive in seeking out this revenue.

For artists who own their sound recording copyrights and use services like CD Baby or TuneCore:

- PROS ASCAP, BMI, SESAC
- Publishers
- Record label
- Songwriter
- Publisher

*Services pay streaming mechanical royalties to self-publishers directly, or to a mechanical licensing agent like Harry Fox, Songtrust or Music Reports, which then pay their publisher members/clients. Because it is very cumbersome for self-published songwriters to collect these royalties, both CD Baby and TuneCore have set up services to help self-published songwriter clients to collect them.
Current State of Streaming

While a decade ago digital downloads were the predominant digital revenue source for the recorded music industry, revenues from streaming and subscription based services like Spotify and others have recently grown beyond digital sales income. In fact, according to the RIAA data reports in 2015, streaming services accounted for 34.3% of US revenues, a 7% since 2014, and more than the 34% digital download sales income\textsuperscript{13}. With the undeniable industry-relative increase in streaming revenues, it has become apparent that we have reached the next crossroads, and it is more important than ever for artists and industry professionals to be able to track where their money is coming from, considering that there is now an additional entity competing for a piece of the financial pie. Unfortunately, top streaming services payouts are far lower than artists would like.

What the major labels saw in Spotify early on was the potential to reduce piracy by making it legal to stream music for free and at the same time monetizing those free listens for themselves and their artists. While Spotify has had success in lowering piracy rates, the free level of membership that they and other similar services offer has created an irreversible shift in our attitudes toward paying for music. Sure, since the dawn of the digital age people have been finding ways to illegally download mp3 files, but legally offering up a boundless amount of product free of charge is an entirely different story. Many artists support fans getting to hear their music at any cost, even free – which is perfectly understandable. However, music fans now are beginning to expect to not have to pay anything. When completing a survey for this research, 111 individuals answered the question – “What is the maximum monthly rate you would be willing to pay for access to your preferred streaming service?” 35 respondents, 31.6%, answered with a maximum of $0. In the comments section were thoughts like “I would rather not pay money” and “Why should I have to pay for it?”\textsuperscript{14} demonstrating the level with which fans have grown accustomed to listening to music for free. From Napster, to self-released free music (like Radiohead’s \textit{In Rainbows}\textsuperscript{15}), to Spotify’s “freemium” model, the industry has long been trying to use free music as a way to get their foot in the door with music fans. We are coming dangerously close to a point of no return, where consumers are so attached to the concept of free music that they no longer pay anything at all. Thus streaming royalty rates and thus income streams for artists are very low, leaving many in the industry wondering about the sustainability of a business reliant on lending, rather than selling music.

Streaming services generate money through advertising and subscription revenue. Lesser used services by definition have fewer plays that they must compensate copyright holders for, so those services can pay out more per play. In theory, the total payout for one song from streaming services should be a direct result of how many times it is streamed. Therefore, services with a larger customer base (and therefore more streams) would have to pay out more in total, but they should also have the financial means to do so due to higher subscription income. The problem comes when services like Spotify, and others, offer a free tier of streaming. While unsubscribed Spotify users don’t receive all the benefits of subscribers, they still have access to unlimited on-demand music, without paying a dime into Spotify’s subscription revenues. This then forces Spotify to compensate artists at a lower per play rate. This is the core reason why many music industry professionals scream that Spotify’s model isn’t scalable, nor sustainable long term, because as free users continue to grow faster than subscribers, Spotify’s subscription revenues can’t possibly keep up with expenses.

\textsuperscript{14} \textcite{SurveyMonkey Inc. 8 Mar. 2016. Web. 8 Mar. 2016.}
\textsuperscript{15} \textcite{Garland, Eric. "The 'In Rainbows' Experiment: Did It Work?" \textit{NPR}. NPR, 16 Nov. 2009. Web. 02 May 2016.}
**How Much Do Artists Make From Streaming?**

In order to fairly address the question it’s important to understand that streaming is a relatively new format for the industry compared to the long-established income stream of recorded music sales. This is an entirely new business model, and ideal rates still need to be established. One of the biggest issues with streaming payouts is a lack of transparency. This has become apparent as artists have shared their income amounts and payment rates are quite different. However, Spotify claims that these discrepancies are due to an overblown focus on per stream rate: “The royalties artists see on their royalty statements derive from the formula ... on a country-by-country basis, and depend upon the many moving variables specified in the formula. Of course, it is possible to reverse engineer an effective “per stream” average by dividing one’s royalties by the number of plays that generated them, but this is not how we measure our payouts internally nor is it a reliable yardstick for Spotify’s value to artists.” In other words, the “per stream” rate isn’t ever going to be set in stone, however, it is a very convenient way to compare various streaming services. Below is the formula that Spotify uses to calculate royalties.

![Figure 8](image)

Master and publishing owners receive approximately 70% of the percentage of Spotify’s total revenue generated by the artist or album in question. This means that if Spotify were to have more streams in February than January (which makes sense due to growth), but an artist were to have the same amount of streams in both months that artist would be making less money in the second month because his or her streams make up a lower percentage of total Spotify streams than they did in January. Hence converting free listeners into subscribers is mutually beneficial for both artists and streaming services. What’s still unclear is how exactly a premium subscription influences individual artist’s revenues beyond simply increasing section 1 of the above equation, as Spotify has claimed and reputable music websites such as Digital Music News and Stereogum have reported. This section takes a deeper look at streaming data in order to assess some of the impacts the dominance of streaming services has on artists and industry leaders at different levels.

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Figure 9 gives an overview on streaming payouts across various services for one anonymous indie label, which submitted this information to The Trichordist, a website which claims to be “Artists for an Ethical and Sustainable Internet”.

<table>
<thead>
<tr>
<th>SERVICE</th>
<th>AVG PER PLAY</th>
<th>PER 1M PLAYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nokia</td>
<td>$0.07411</td>
<td>$74,110</td>
</tr>
<tr>
<td>Google Play</td>
<td>$0.04573</td>
<td>$45,730</td>
</tr>
<tr>
<td>Xbox Music</td>
<td>$0.03212</td>
<td>$32,120</td>
</tr>
<tr>
<td>Simfy</td>
<td>$0.01626</td>
<td>$16,260</td>
</tr>
<tr>
<td>Napster</td>
<td>$0.01578</td>
<td>$15,780</td>
</tr>
<tr>
<td>Media Net</td>
<td>$0.01140</td>
<td>$11,400</td>
</tr>
<tr>
<td>Rhapsody</td>
<td>$0.01122</td>
<td>$11,220</td>
</tr>
<tr>
<td>Muve Music</td>
<td>$0.00875</td>
<td>$8,750</td>
</tr>
<tr>
<td>Deezer</td>
<td>$0.00754</td>
<td>$7,540</td>
</tr>
<tr>
<td>Rdio</td>
<td>$0.00692</td>
<td>$6,920</td>
</tr>
<tr>
<td><strong>SPOTIFY</strong></td>
<td><strong>$0.00521</strong></td>
<td><strong>$5,210</strong></td>
</tr>
<tr>
<td><strong>YOUTUBE</strong></td>
<td><strong>$0.00175</strong></td>
<td><strong>$1,750</strong></td>
</tr>
<tr>
<td>Myspace Music</td>
<td>$0.00994</td>
<td>$940</td>
</tr>
<tr>
<td>Amazon Cloud</td>
<td>$0.00012</td>
<td>$120</td>
</tr>
</tbody>
</table>

With Spotify, the most popular music-exclusive streaming service, artists make very little per play. And that’s without considering that the $5,210 per 1 million plays don’t go directly to the artist. The **Income Stream Overview** segment of this report breaks this number down further. These numbers clarify why so many stars have pulled their music from the service.

Stuart Dredge and a team of researchers at *The Guardian* analyzed the income amounts for artists from streaming services. They compared an artist’s revenue from streaming services to the United States monthly minimum wage of $1,260. To save space, the full infographic can be found in Appendix D. Figure 10 below condenses some of the information focused on three of the major streaming services, Spotify, Google Play, and Tidal.

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The most striking findings are the difference between earnings through services with and without an unlimited free tier and the differences between the average label-affiliated artist versus the average independent artist. Google Play and Tidal are examples of services where artists typically earn more per stream than Spotify because a higher proportion of users are contributing to subscription incomes rather than Spotify’s “freemium” model users. For this reason it generally takes significantly more streams for an artist to generate income from Spotify than through these other services. As for the differences between signed and unsigned artists, at its most basic this is because artists signed to a record label give up a portion of their income to the label, publisher, songwriters, and other team members. Understandably, like many things in music, the numbers behind these deals vary greatly. This will be tackled in further detail in the Income Stream Overview, but the Guardian statistics use the following average distributions for online streaming revenue:

Unsigned Artists
- Distributor 40%
- Artist 60%

Signed Artists
- Distributor 25%
- Record Label 55%
- Artist 20%
These percentages mean that while the rate Spotify pays out per stream may be in the ballpark of $0.00521 if the artist in question has a typical record deal that artist may only see 20% of that or roughly $0.0011 per stream. Furthermore, according to that same Guardian study, only 2% of signed artists and 0.3% of unsigned artists on Spotify hit that monthly minimum wage mark. While a case can be made that there are millions of amateur musicians with music on Spotify justifying the 0.3%, the percentage of signed artists that earn minimum wage is concerning. When considering that these artists depend on income from their music, the fact that only 2% of all of them earn minimum wage is a problem. While Spotify is one of the most attractive services out there from a consumer perspective, the resulting industry-low stream rates have led to very public outcry from high profile artists and less public struggles for independent musicians.

Effects on Musicians

On March 18th, 2016, Gwen Stefani became the most recent in a long line of stars who have withheld their music from Spotify with her third solo studio album This Is What the Truth Feels Like. Although her team made the decision to not release on Spotify for opening week, Stefani is still set to record her first solo chart-topping album according to Billboard, presumably on the strength of her album sales and her streaming equivalent albums (SEAs) on other platforms. Stefani mentioned in an interview with LinkedIn, that what prompted her to skip over Spotify was the “massive devaluation” in music—due largely to free streaming.

Of course the musician that has made the most headlines over the past few years for her repeated denouncement of Spotify and other streaming services is Taylor Swift. As with Gwen Stefani and other high profile musicians, Swift believes that the money artists earn from Spotify is not just compensation for the art that they create. She argued her case in an op-ed with the Wall Street Journal a few short months before the release of 1989, her most recent studio album. “In my opinion, the value of an album is, and will continue to be, based on the amount of heart and soul an artist has bled into a body of work, and the financial value that artists (and their labels) place on their music when it goes out into the marketplace. Piracy, file sharing and streaming have shrunk the numbers of paid album sales drastically, and every artist has handled this blow differently.” It is with this mindset that Taylor Swift (and her label) chose not to release 1989 to Spotify and subsequently sold 1,287,000 units, the seventh-highest sales week in history and the highest since Eminem’s The Eminem Show in 2002 when records were being sold at much higher rates. Swift also had the highest selling week for a woman since Britney Spears’ Oops!… I Did it Again in 2000, and the fastest album to reach both 4 million and 5 million

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units sold since Usher’s 2004 album, Confessions. Now, 1989 received quite a bit of promotion, from a Yahoo livestream of the album before the release date, to secret listening sessions across the globe, and of course a significant radio presence. However it is questionable if Taylor Swift could have achieved these sales numbers if her music would have been available on the most popular streaming services. Removing her music from streaming services was a crucial strategy for Taylor and has inspired other artists to do the same – Adele set records too in 2015, and 2016 has already been full of news of Gwen Stefani, Kanye West, and others who choose to put out recordings without certain streaming services.

For pop stars that choose to open release week without Spotify, Apple Music and Tidal are two popular streaming services that they do choose to utilize. This is because both of these services offer a wide catalog of music, but with no free tier for consumers – meaning revenue per stream is higher. Kanye West restricted his latest album, The Life of Pablo to Tidal, resulting in quite a bit of press, but also record breaking piracy numbers, an estimated 500,000 illegal downloads on release day. While West has reached the level of pop culture stardom that tends to drive numbers like that, The Life of Pablo failed to chart. A case can be made that this is because Tidal refused to report streaming data to Nielsen Music, the company that compiles information about music sales worldwide. However, it’s hard to believe that Tidal would have withheld data about their most popular release if it had performed well through the service. Conventional wisdom says it didn’t, and that West simply created an incentive for more people to pirate his album while creating a small group of Tidal users. Users who may not retain membership once they’ve gotten their fill of The Life of Pablo. Kanye West’s personal brand puts him in a position where he can survive the hole that the Tidal exclusive potentially put him in, but very few artists have that luxury. There are thousands if not millions of unknown or niche artists for whom taking their music off of streaming sites would make them irrelevant and spell the end for their short lived career in music.

An interview with Matt Allpow, vocalist for Chicago indie/pop punk outfit City Mouth, provided the perspective of the 99% of the musicians without the star power of a Kanye or a Taylor. Matt had reached this conclusion as well, “When Taylor took her music off streaming services more people bought her album. If we did that people would just listen to something else. It would be a handicap.” While many niche artists similar to City Mouth earn next to zero income from streaming services, the services are still distribution vehicles that create value by providing a platform for fans of City Mouth to hear their music. While it’s easy to argue that streaming services devalue art and that artists aren’t getting paid fairly, Matt’s interview serves as testimony that streaming services are an integral part of a modern artist’s promotional toolbox. The full interview with Matt Allpow can be found in Appendix B.

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32 "Interview with Matt Allpow." Online interview. 6 Apr. 2016.
Independent musicians have more ways than ever before to distribute music, and the list of tools is growing every day. Two services that smaller independent artists often make use of are Bandcamp and Soundcloud. Both services are perceived as being artist friendly but in actuality neither end up being viable alternatives to the major streaming services.

Bandcamp is popular because of the ease of downloading and streaming from an artist’s page, and because it allows the artist to use a “name your price” option for downloads. This results in many artists using Bandcamp as a way to drive free downloads of their songs which also has an attached merchandise store. In return, Bandcamp only takes 15% of artist’s earnings from permanent downloads, and 10% of merchandise. When an artist proves him or herself valuable by exceeding the $5,000 sales mark the download figure drops to 10%, allowing the artist to keep more of their proceeds. While Bandcamp is a useful tool, audiences today are attracted to streaming, and while some fans may stream on Bandcamp before buying, many will choose not to spend their hard earned money – putting the artist out of luck as Bandcamp doesn’t pay per stream royalties.

Soundcloud is another great resource for developing artists looking to spread their music to a wider audience. However, users are limited in the amount of content they can upload without purchasing an unlimited account up front. In addition, Soundcloud isn’t designed to be a marketplace in the same way that Bandcamp is. Furthermore, for indie artists to earn payment through Bandcamp they must work with an organization like SoundExchange to collect royalties although these are minimal. Bandcamp and Soundcloud just can’t compete with the amount of users of popular streaming applications like Spotify and Apple Music. While they might not be substitutes in the market, for independent artists, Bandcamp and Soundcloud are useful compliments to a diet of steady social media promotion and touring.

Effects on Labels and Industry Professionals

While streaming services are the latest in a long line of technological innovations that affect the music business and the way that artists earn income, the scope of these effects is far broader than many people realize. In an era where major stars are speaking out about the internet caused devaluation of music, major labels are more optimistic than ever about their ability to turn a profit in a streaming world.

Part of this viewpoint has little do with music at all, and more to do with the value of streaming services as a business. One of the primary ways the majors are planning on benefitting from Spotify’s dominance is through equity. While labels previously have demanded large up-front fees in exchange for the rights to use their catalogs, the market for acquisition in the streaming service industry has convinced the majors to request equity in Spotify rather than just cash. According to multiple sources, the majors currently own roughly 20% of Spotify, broken down below:

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34 "Pricing." Bandcamp. Web. 02 May 2016.
As Spotify continues to gain market share, other major labels and other investors could stand to see a major payout if and when we see an Initial Public Offering (IPO). One anonymous industry insider spoke to Digital Music News about this recent label trend offering that “[this discussion is] talking about the difference between making millions right now, or billions in a few years.”

With those numbers it becomes easy to see why the major labels place so much value on owning pieces of Spotify. In addition, ownership gives the labels some say in the large scale operation of the business. This is an issue that has even led to a lawsuit being filed against Sony Music by 19 Recordings, a record label alleging that Sony isn’t looking out for the best interests of its artists. The lawsuit claims that “those other record labels have engaged in the same self-dealing as Sony with respect to the diversion of payments to them, and the below market streaming royalty rates to artists… Together, and individually, Sony and the other major record labels therefore have significant power to exert control over Spotify in order to not only dictate how revenue will be paid, but wrongfully and in bad faith divert money from royalties that must be shared to other forms of revenue that they can keep for themselves.” 19 Recordings is essentially accusing Sony of using language in contracts with Spotify to establish streams as sales of recordings, rather than broadcasts, granting Sony the rights to a larger portion of streaming revenue and less to their artists.

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Another part of this optimistic viewpoint has to do with the shift in business models of record labels over the last decade and a half. Traditional record labels have existed and made profits off of providing advances for their artists to record and release music, with the condition that when their album sells the artist must recoup that advance and continue to pay the label a pre-negotiated percentage of their sales revenue. In the traditional model, labels were hit hard due to the extreme decrease in recorded music sales. The very product labels were dependent on, the full length album, was cannibalized by the digitization of the music business, and major labels were in even worse position than their artists who still had the ability to tour and find other income streams. The chart below, courtesy of Business Insider’s Michael DeGusta, highlights the recording industry’s reliance on full length albums prior to the digital revolution.\(^4\)

![US Recorded Music - Revenue Distribution](image)

*Figure 12*

While the major labels were no longer as profitable as they had been during the CD era and before, they still had the resources and connections that artists were looking for, giving them the leverage to usher in the 360 deal. The 360 deal, or multiple rights deal is a major component of the “new” record label model. It gets its name by virtue of referring to a deal in which the label is involved in many or all of an artist’s activities. These can include publishing, touring, merchandise sales, endorsement deals, among other income streams.\(^4\) In return, the label will typically be dedicated to


promoting the artist outside of an album release. For example, in the old model the label acted as a vehicle for the production and release of records, leaving touring up to the artist and their management team. However, a new model label operating under a 360 deal would be more likely to promote a tour featuring their artist. Labels are learning that the money isn't where it used to be, and that to stay financially relevant they must find a way to dip their hands in as many of the emerging income streams as possible. The revenue of the music business is now built around live performances and touring rather than recording. The image below is from a Live Nation investor presentation in 2008, illustrating the change in focus of the industry. The slide was published in Lee Marshall’s 2012 *European Journal of Cultural Studies*.44

![Music Industry in Change](image)

*Figure 13*

While most of the industry was caught sleeping with Napster and the sudden piracy epidemic, labels now feel like they are where they need to be in order to stay adaptable to the latest technology related trends. Being involved in multiple aspects of the industry means that the labels have found enough different income streams that they can remain sustainable even with the low streaming payouts. However, if as many predict, Spotify and other streaming services continue to grow, the major labels will be the ones seeing the most financial benefit.

The major labels aren’t the only ones with ties to major label artists who are optimistic about the future of streaming. In an interview with Jake Udell of Th3rd Brain Management, he focused on the idea that streaming could increase revenue because of the opportunity for a single fan to stream a song hundreds of times or more, while they would only purchase it once or not at all.45 Udell’s company works with some of the biggest names in electronic music, including Krewella, Pegboard Nerds, and Zhu.

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45 "Interview with Jake Udell." Phone interview. 6 Feb. 2016.
Krewella’s biggest hit “Alive” was released on Columbia Records, a subsidiary of Sony, and was certified platinum by the RIAA with over 1 million sales;\(^46\) and currently has over 41 million streams on Spotify. If we use the data compiled by David McCandless in his research for the Information is Beautiful project, the revenue paid out by Spotify just for “Alive” comes out to just under $80,000. In comparison, only 1 million downloads from services like iTunes and Amazon nets a total payout of approximately $620,000.\(^47\) These dollars represent total payout, meaning that this is what the service pays before the money gets split up among label, artist, and any other members of their team. While Udell recognizes the lower per stream/sale rate of Spotify compared to permanent download services like iTunes, he sees the opportunity for artists to harness the power of streaming services to earn more revenue from recorded music than ever before. For artists at the level of stardom that Udell works with, his vision is to help them continue to put out music that tops the charts and earns mainstream radio play. For example, with a successful follow up to their debut album, Krewella could increase earnings on their newest work, while also furthering their brand and cultivating fans that continue to listen to their older music as well. In a streaming world, revenues may be concentrated on the newest release, but the difference in Udell’s mind is that a new album won’t cannibalize sales of the older record, to the extent it would have in previous decades, because as long as people are still listening there is still revenue being earned.

Independent labels have a variety of different takes on streaming, with some being adamantly opposed to the concept, and others embracing the change. The Secretly Group of independent labels is a part of the latter group. In an interview with Ben Swanson, co-founder and label head of Bloomington, IN based Secretly Canadian, member label of Secretly Group, he really hit on the accessibility of streaming services and how that can impact the music industry. Additionally, Swanson argued that “the variety has increased substantially when you think of how in the 90s the dominant media was Rolling Stone and MTV and there was independent culture, but your average independent consumer was buying well say 5 CDs or records a month or something like that. You’re committing a lot of money towards one album that you may or may not listen to a ton, whereas now you can sample a lot more. It’s just a different paradigm, but I think a healthier paradigm.” It’s much more affordable now for a consumer to listen to a wide variety of music, and as Swanson says, sample. This may mean that each individual consumer is spending less money on music, streaming as opposed to buying physical albums, but at the same time, more people are able to spend a little bit on music.

Furthermore, Swanson doesn’t buy the headlines that the music industry is broken, “from my perspective the music industry is slightly challenged, I don’t necessarily think it needs saving,” alluding to the fact that the music industry is in a state of transition rather than catastrophe. The image that often gets brought up in these kinds of discussions is the independent artist that can’t make any money and blames streaming for that. As Swanson says, “the unfortunate reality is they probably weren’t able to make much money in any of the paradigms throughout the last hundred years.” The beauty of streaming is that it makes it easier for an independently released album or single to take off without label backing. This doesn’t mean that every artist out there is suddenly going to be able to have a sustainable career in music, it just means the deck is less stacked against them that it was before.

As far as how streaming impacts his label, Swanson recognizes that it’s important to always be paying attention to the market and strategizing to be adaptable. Some Secretly Canadian artists have been more successful in a streaming realm than others, who continue to rely more on physicals and touring. At the end of the day, a label like Secretly Canadian benefits from the equal footing that

\(^{46}\) "American single certifications – Krewella – Alive". Recording Industry Association of America
streaming services grant them with the majors. While most of their indie artists won’t see a lot of terrestrial radio play, they welcome the opportunity to reach new fans through Spotify and the like.\(^{48}\)

*The full interview with Ben Swanson can be found in Appendix A*

**How to Adapt**

As the music industry has finally begun to settle down in the digital age, it’s imperative to have an understanding of all of the available models of music consumption and why we use what we use. One of the major players that hasn’t yet been detailed in this report is Youtube. While created primarily as a website for uploading and viewing video content, Youtube has blossomed into yet another avenue to distribute digital music. This has occurred through music videos and even recorded music uploaded with a static background that fans can “view” and listen to for free. Youtube does pay to license the music on their site, but it isn’t a lot - approximately 4 times less than what Spotify now pays out.\(^{49}\) In addition, Youtube has been a factor in the piracy wars, as services sprouted up that allow users to convert a link from a Youtube video into a downloadable mp3 file. The primary advantage that Youtube offered from a music streaming standpoint when it was launched in the mid-2000s was that it was a free, legal way to listen to music in comparison to downloading music from iTunes or engaging in piracy. With unlimited free streaming now available in the United States on Spotify, it makes sense to question whether Youtube will continue to be a major player in the streaming game. While Youtube Red, a new music specific platform, could shake things up, more users are switching to other services. According to a survey conducted at Indiana University, 79.82% of respondents now use streaming services to listen to music, while fewer than 3% of respondents mentioned Youtube as a legitimate substitute. This is likely because at its core, Youtube isn’t designed for music streaming, while services like Spotify, Apple Music, and others allow users to create a library of songs, artists, and playlists for a much more customizable and aesthetically appealing music experience.

While Spotify is certainly growing its customer base, the majority of its new users are still using the free tier, meaning that they aren’t contributing as much as they could be toward artist revenues.

\(^{48}\) "Interview with Ben Swanson." In person interview. 5 Feb. 2016.

That said, the largest streaming service gaining more users is great news for independent artists looking to reach a wider audience. While the free users increasing faster than the premium users means that we’ll likely see a decrease in payout per stream, we’ll continue to see Spotify streams rising, with a portion of that increased revenue going to artists.

This next piece of advice is especially important for independent or niche artists, but is also a worthwhile strategy for major label artists to tap into. For artists to remain sustainable over a period of time, they must be able to identify, cultivate, and grow a group of superfans. These superfans are the ones that have such a connection to the artist that they will continue to come out to performances, buy merchandise, and of course buy and stream releases new and old. When considering how important merchandise sales and touring are to an artist’s finances, it’s no surprise that numerous successful niche groups have found ways to do this. Not every music listener is going to be a superfan. When considering that 50.45% of survey respondents answered that they listen to music “all the time,” yet 54.05% only attend live performances “a few times per year,” most listeners are simply casual music fans.

One example of an artist who was able to reach superstardom in part due to her use of superfans is Lady Gaga with her “Little Monsters.” Lady Gaga had a good understanding of her appeal to her fans, which allowed her to build a solid base. This practice of identifying what makes your music different or stand out plays a huge role in building a loyal following of superfans, a following that is vital to long term career sustainability.

Streaming is here, and it’s not going anywhere. This is a fact artists must embrace if they are going to take advantage of our new digital music economy. For some major label artists this might mean finding creative ways to release music outside of streaming in order to boost sales revenue. Other major label artists might be wise to consider reworking label contracts to earn more favorable revenue splits from streaming, and some might be better off not working with a major label altogether. In this day and age, the playing floor is more level than ever before, and the internet and social media provide us with resources to create music at a highly public level while remaining more independent in our activities.

course there are still benefits and connections to be had working with a major label, but artists of today should be at least asking themselves whether those benefits are worth giving up such a large portion of potential revenue earnings.

At the end of the day every artist has different strengths, weaknesses, needs, and ambitions. Identifying these and using them to build the team that’s right for you is the only right way to proceed in today’s music business. This is what will align career moves with goals and what will be the most efficient way of building lasting support for the music, because streaming services alone will not.

_Ben Gayda is a graduating senior studying Arts Management and Business at Indiana University._
Appendix A

Ben Swanson is co-founder and label head of Secretly Canadian. This interview took place in person February 5th, 2016 in Bloomington, IN.

BG: Since you founded Secretly there have obviously been a number of changes in the music industry including format changes, could you walk me through how you've adapted, specifically with streaming?

BS: CD’s were the dominant format, digital wasn’t around yet. 7 inches were still big, but you know, there’s no money in 7 inches, but they were actually a really big promo tool for introductions for bands. In a way that’s faded. Like people still do 7 inches that are still sort of used as promo, but back then people actually listened to 7 inches. Vinyl was around and we did the first Songs: Ohia record which was SC04, our second full length, on vinyl but it was still very, very niche. And then in the early 2000s maybe 99, I can’t remember, we were still working out of the house then, there were a handful of companies coming up and capitalizing on the digital market. This was before the first dot com bubble burst, while the bubble was building. So there was all this money being thrown around and these massive advances, or massive for us anyway, were thrown at labels to be the exclusive aggregator for digital content. And the sales just weren’t there yet, but they were just trying to lock in deals as much as possible and there was all this VC money being pumped into the companies. And then around 2001 the bubble burst, there were a lot of mergers, the digital marketplace was pretty small but a bunch of indie labels our size got a pretty decent cash injection just from that stuff. CDs were still dominant, but digital was slowly ticking up, ticking up, ticking up and then probably right around the release of the first iPhone and then shortly after, the mid-2000s was right when what we now call permanent downloads became a major player and you know CDs were declining, and of course shortly thereafter vinyl was increasing. Fast forward a few more years and streaming has started to overtake the permanent download while CDs decline and vinyl has been ticking up.

BG: Is vinyl still ticking up right now?

BS: Yes, the problem with vinyl is it’s expensive to make. Margins are lower, it takes a lot of resources to make, from labor to time, and it’s just more complicated. So it’s not like the numbers are big enough that they’re offsetting any sort of loss in CD sales. Even if the units were a 1:1 takeover, the margin is still significantly lower. It’s not like vinyl is going to save the music industry. But from my perspective the music industry is slightly challenged, I don’t necessarily think it needs saving. I’m not a believer in those headlines. There are certainly winners and losers and all of that, but I think for my money that especially in the last 18-24 months things are starting to settle a little bit as streaming matures. Especially with Apple finally getting into the game and having a second dominant player in the streaming sphere. And people just sort of being more comfortable with a mix of formats and how they consume music

BG: Do you think that as far as the streaming goes that it’s just a question of bringing some more competitiveness into the market and working out some of those kinks, and that we’ll still be streaming music in 10, 15 years?

BS: I don’t think the way that we listen to music is going to change too much, I mean who knows? Another format, but I can’t envision a better format than streaming right now that’s radically different. Maybe the quality goes up, the bit rate goes up, or whatever. But, you’re not holding anything, you don’t have to buy anything. Maybe the subscription model changes slightly, but the way you listen to music within streaming - I can’t envision a way that gets improved upon from an efficiency standpoint at all. But I also think that the history of the last 15 years of any sort of media consumption, news or visual,
or audio, is that it's going to be a blend of a variety of different vehicles. And so, I think people are going to have some sort of physical element. I think CDs will still be around for a while, I think they're gonna decline I don't buy CDs anymore, but there are still people in my generation and older that have CD players in their cars, and cars last 10-15 years or whatever. My mom doesn't buy a lot of CDs, but when she does that's how she listens to music for the most part. So I think they'll still exist as a format, somewhere around where vinyl is now or where vinyl was ten years ago. I think because the music industry has been through this tumultuous 10, 15 years, everyone's been a little gun-shy. There's talk that there might be a bit of a vinyl bubble right now, but it's tough to tell if that's the case, or if something that's still pretty niched out can have a bubble. But it's been around this long, I don't think it's going to die, it might retract a little bit. And there are stats out there that permanent downloads, like iTunes are dying, but the rate of decline is slowing. Again I think that streaming, if I had to guess would be maybe the dominant platform, but just study your history and a safe bet is that it's going to be a blend of a bunch of shit.

BG: How do you as a label make yourself adaptable to the point where you can handle these kinds of changes? Do you have to sort of take it as it comes?

BS: It's something we talk about a lot. We've become a lot more active in various independent rights organizations and labels, just trying to be out there on the forefront of the industry. We're not out there inventing new platforms or anything, but we're trying to be more active in the conversations of policy and whatnot. But I think for us it's sort of constantly watching what the market's doing. Trying new things and constantly adapting, to me that's the one thing that has remained constant that we've done. Sometimes more successful than others, but we really try to not have too many sacred cows when it comes to how people consume their music, so we can try to adapt and represent our artists in the fairest way possible. Some of our peer labels are adamantly against streaming, a lot of it is that the money isn't fair. And my take is, everyone's entitled to their political beliefs, I think it's a little bit of a false premise, even if it is true - it is a losing battle. You can't fight culture that way.

BG: A lot of musicians I've talked to are of the belief that streaming isn't going to help your revenue.

BS: I think that's totally false though, I think it can. Like we have artists where 25-30% of their master royalty money is coming from streaming, and they get publishing royalties from that. And so the headline is "Oh, I get half a cent per unit" and a lot of times that per stream number is totally wrong. It depends on the deal between the artist and the label. But the average payout for Spotify, and it varies by territory or if it's a paid stream or not, but the rule of thumb is that Spotify pays out about $0.005 per stream. So you get what $0.50 if someone streams your song 100 times, but people were making the same argument when iTunes came out. That you get like 70 cents for your song download and that it broke apart the album. Yeah, the headline and that one stat is bad, but if you consider beyond and that people who consume music in a monetized way has grown a ton, and the amount of music that they're consuming has I feel like grown substantially. The variety has increased substantially when you think of how in the 90s the dominant media was Rolling Stone and MTV and there was independent culture, but your average independent consumer was buying we'll say 5 CDs or records a month or something like that. You're committing a lot of money towards one album that you may or may not listen to a ton, whereas now you can sample a lot more. It's just a different paradigm, but I think a healthier paradigm. I still believe in the album, but I think independently released singles are able to take off in a way that they weren't able to before. And people are able to consume a much wider variety of music much easier than they were before - and I think that point is missed. So the stereotype is the independent musician, the local musician, can't make any money at recorded music. The unfortunate reality is they probably weren't able to make much money in any of the paradigms throughout the last hundred years. That's
the bulk of musicians out there, it's really fucking hard to make money on music. The avenues open to
them are way more accessible than it ever has been in the past. And yeah, you still have to bust your ass
at it, but I think it's way easier for them to make a little money at selling their recordings than it was 10,
20, or 30 years ago. It gets kind of irritating when you hear independent musicians coming in saying I
can't make any money because streaming sucks or whatever, and I get it, but I think you have to
understand the history and where the marketplace is at right now. You look at the overall market share
of dollars being spent on music, it has decreased over the last 10 years maybe, but the bulk of that loss
has been borne by major labels and major label artists. The reality is the 99%ers weren't making any
money before. So maybe they've decreased a little bit, but the aggregate dollar for each individual of
the 99% has barely decreased at all.

BG: I also feel that, and I may be generalizing a bit here, but I feel that the people who listen to top 40
radio are the ones using the free Spotify tier, whereas people who listen to maybe stuff on Secretly,
more indie stuff are more invested and maybe more likely to pay that $10/month or $5/month as a
student.

BS: Yeah, I think that's interesting. I don't know that stats on it, but always when I'm home for Christmas
or whatever, I ask extended family members how they consume music. I'm always interested to hear.
You know, Pandora doesn't pay much, but there is revenue generated from Pandora. A lot of people
listen to music that way because they want to dial into a certain type of music a little bit, but they don't
like Spotify, it stresses them out because you have to choose exactly what you want. A lot of people, a
lot of your middle of the road, non music nerds will pay for a Pandora subscription, and I think some of
them will pay for a Spotify or an Apple subscription from the sense that it gives them a little bit more
access. It's anywhere from 5 to 10 bucks a month. Again over the last 15 years or whatever, the amount
of dollars that each individual hardcore music nerd has paid decreased, but I think the amount of money
spent per year from your average person has probably increased. Each increase is a little bit, but that's
100 million people in the US versus 100 thousand people. And that's an interesting stat in China for
example, which is becoming a burgeoning market. Really only the top 1% there can afford an iPhone and
an Apple music subscription or whatever the dominant platform is. And it illustrates a similar dynamic
that's happening here in a different way, but the numbers of the 1% spending in China is like the size of
California here, which is a decent sized country in Europe. I think it's opened it up to bring a lot more
people to spend a little bit more money.
Appendix B

Matt Allpaw is the vocalist and a founding member of Chicago based indie band City Mouth. This interview took place via Facebook on April 5th, 2016.

BG: Hey Matt, I was hoping to talk to you about is some of your perceptions and thoughts about streaming.

MA: From a customer standpoint, I love having a streaming subscription. I have Google play music. It seems like for big artists it's a better alternative to having your music get pirated. But for smaller bands like us it's really difficult to make any money off of it at all.

BG: That's exactly how a lot of people I've talked to view it. For major artists at least they're making something, and for indie/diy types it's more of a promo tool than anything else. I use Spotify personally, and I know City Mouth has music on there - is that why? I can't imagine that miniscule streaming payments compare to what you get from people supporting via Bandcamp for example.

MA: Yeah it is kind of more of a promotional thing. And it's also about keeping up with the way modern people listen to music. When Taylor Swift took her music off streaming services, more people bought her album. If we did that, people would just listen to something else. It would be a handicap. It's like maybe one day we'll get some money out of this. For now, it's just about making our music accessible to humans in 2016.

BG: It's insane how star power can help in these situations. Gwen Stefani just withheld her album from Spotify and last I saw it was primed to be a #1 album. And as a fan, as much as I love the music of a lot of locals and lesser known bands, ease of access makes a huge difference in which music I end up coming back to.

MA: I think that's a pretty smart thing for the big artists though. Taylor and Adele both did it and broke sales records. It's a good strategic move if you're up there. And it's good to see that piracy wasn't the overwhelming reaction. And I think that's directly caused by streaming. Kanye did the opposite and everybody dusted off their torrent software though. But like when we were kids, everybody was using Limewire and what not for every release. And torrenting everything. That was just what people did.

BG: So it's an improvement culturally in a sense. We've made pirating feel more like stealing, when I think before it was just sort of what happened.

MA: Yup. It's very interesting how different the conversation is compared to different types of media. I just got done watching 11.22.63. A show released exclusively to Hulu plus. Nobody has been complaining about that. But Kanye released his album only on tidal and shot himself in the foot.

BG: It seems like it's a lot easier to trace music back to one creator, one artist (regardless of how many people had a hand in it), whereas other media isn't as focused on one person.

MA: Yeah it's more of a company effort. Plus I think it has to do with the need for visual media being satisfied but balanced. Whereas music is such an oversaturated market. If someone can't listen to your music easily, they can probably find five different artists that will feed that need. It's at the point where people don't see music as a need anymore, but everyone I know pays for fancy TV.

BG: That's true, I think it also has to do with how our society has evolved over the last 15 or so years. Napster sort of opened the gates to free music, but there hasn't been anything on that level for TV.
MA: Except for free broadcast TV but that's a whole different thing. It's different than having all music for free.

BG: Exactly, I agree that we've made steps away from piracy and that's amazing, but it also seems like we've created a culture that expects to be able to listen for free. One last thing I really hoped to find out was how you think City Mouth can become a more self-sustaining band. If you're not making anything off streaming services that are only getting more popular, what can you do? Does it really all come back to the age old concept of touring and busting your ass and building a fan base that respects that?

MA: Yeah it’s really all about playing shows and selling merch. Even a lot of bigger bands aren’t making much from the music itself. They have to tour to make money. That also has a lot to do with labels though. Don’t use his name or anything, but I know _____ from ____________ and he told me that they make most of their money from the music they released before they were signed and from their tours. They have a good deal in that they still get 100% profit from their old music. They had to negotiate that though. I’m sure a lot of bands are less lucky.

BG: Yeah the label definitely has a huge part in that, but that’s really interesting considering that they’re not huge in a mainstream sense and it still affects them. For one last question, what would you say are your goals for City Mouth moving forward?

MA: Just to keep playing shows, releasing music, and getting better at both of those things.
Appendix C

How do you consume recorded music (check all that apply)?
Answered: 109  Skipped: 2

- Streaming services
- Purchase music
- Terrestrial radio
- Online radio

How do you typically discover new music (check all that apply)?
Answered: 100  Skipped: 11

- Streaming services
- Purchased music
- Terrestrial radio
- Online radio
How often do you listen to music?

Answered: 111  Skipped: 0

- All the time
- Most days
- A few hours a week
- Rarely

Do you subscribe to any streaming services (check all that apply)?

Answered: 55  Skipped: 46

- Spotify
- Pandora
- Apple Music
- Google Play
- Deezer
- Tidal
- YouTube Red
Do you use free versions of any of the above (check all that apply)?

Answered: 86  Skipped: 25

- Spotify
- Pandora
- Apple Music
- Google Play
- Deezer
- Tidal
- YouTube Red

What is the maximum monthly rate you would be willing to pay for access to your preferred streaming service?

Answered: 111  Skipped: 0

- $0
- $5
- $10
- $20
Rank the services that would make you subscribe on a scale from 1 – 5 with 5 being most important and 1 being least important.

Answered: 111  Skipped: 0

- Cheap price
- Social features
- Selection of music
- Aesthetic
- Perception that it is...

How much do you spend on buying music per month (digital or physical)?

Answered: 111  Skipped: 0

- Nothing
- Up to $10
- Up to $50
- More than $50
Where do you buy physical copies of your music (check all that apply)?

Answered: 92  Skipped: 19

- Major box stores
- Independent record stores
- Online order
- At performances

Where do you buy digital tracks/albums?

Answered: 83  Skipped: 23

- Amazon
- Google Play
- iTunes
What factors most influence your music purchasing decisions?
Answered: 103  Skipped: 8

How often do you attend live music performances?
Answered: 111  Skipped: 0
How old are you?
Answered: 111  Skipped: 0

- Under 15
- 15-20
- 21-29
- 30-49
- Over 50

What genre of music do you listen to most often?
Answered: 111  Skipped: 0

- Pop
- Hip-Hop
- Electronic
- Rock
- Punk
- Jazz
- Classical
- Blues
# Appendix D

## Selling Out

How much do music artists earn online?

For a solo artist to earn US monthly min. wage $1260

### Purchases

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<td>Deal</td>
<td>Plays Needed</td>
<td>% of Users to Hit Minimum Wage</td>
<td>Artist Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>---------------</td>
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<td>--------------</td>
<td>--------------------------------</td>
<td>----------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Google Play</td>
<td>n/a</td>
<td>signed</td>
<td>172,206</td>
<td>No data</td>
<td>$0.0073 per play</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tidal (formerly WIMP)</td>
<td>500,000</td>
<td>signed</td>
<td>180,000</td>
<td>36%</td>
<td>$0.007</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For a solo artist to earn US monthly min. wage $1,260. 
Assuming Tidal inherits WIMP's royalty rate.
<table>
<thead>
<tr>
<th>Platform</th>
<th>Signed</th>
<th>Unsigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beats</td>
<td>420,000</td>
<td>29,302</td>
</tr>
<tr>
<td>Rhapsody</td>
<td>663,158</td>
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- Beats: Signed: 420,000, Unsigned: 29,302
- Rhapsody: Signed: 663,158, Unsigned: 70,000

- Beats: Signed: 420,000, Unsigned: 29,302
- Rhapsody: Signed: 663,158, Unsigned: 70,000

$0.003$ $0.018$ $0.043$ $0.0017$
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</tr>
</thead>
<tbody>
<tr>
<td>Deezer</td>
<td>16,000,000</td>
<td>Signed</td>
<td>1,260,000</td>
<td>8%</td>
<td>$0.0121 per play</td>
</tr>
<tr>
<td></td>
<td>Youtube</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>---------</td>
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<td>---------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,000,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>unsigned</td>
<td></td>
<td>180,000</td>
<td>0.3%</td>
<td>$0.007</td>
<td></td>
</tr>
<tr>
<td>signed</td>
<td></td>
<td>4,200,000</td>
<td>0.5%</td>
<td>$0.0003</td>
<td></td>
</tr>
</tbody>
</table>
Figures assume a solo artist releasing own compositions. Rates do not include broadcast/performing/mechanical right or other publishing income. Unsigned artist or label bear production, manufacturing, marketing costs out of their cut. *Mean* means an artist on an indie or major label. Labels, services and artists negotiate a variety of rates. Industry average % ages used.

unsinged 700,000 plays needed 0.07% % of users to hit minimum wage $0.0018 artist revenue

sources: BBC, Rolling Stone, CD Baby, TuneCore, Trichordist, Music Streaming Index, Digital Audio Insider