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The value of music in the streaming dominated era

A binary consumer & artist analysis

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Abstract

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The purpose of this paper was to investigate and gain an understanding of how the value of recorded music has been shaped by the music streaming platforms, from both a consumer and musicians' perspectives.

A mixed methods was applied when conducting the research. Data about key market trends in the music streaming industry was gathered, along with primary data about people's music listening habits from a survey.

The key findings of this thesis are that the value of recorded music resides in the added benefits and features streaming platforms can offer consumers, such as variety, convenience, personalisation and discovery, all of which contribute to an improved consumer experience, that would not otherwise be achievable by consuming music via other mediums, like physical and radio.

Moreover, recorded music as a product competes with the wider entertainment industry for consumers' time and attention, in a landscape whereby there is a lot entertainment products and content available for consumption.

The results indicated that further research could be conducted on the recorded music industry in the wider entertainment ecosystem.

Keywords: recorded music industry, music streaming services, streaming payouts, record labels

Contents

1 Introduction 0

2 Literature review 1

2.1 Economic value 2
2.2 Classic value theory 3
2.3 Subjective value theory 4
2.4 Neoclassical value theory: supply & demand 4
2.5 Utility and consumer surplus 5
2.6 The value of music 6
2.7 Values beyond economics 8
2.8 Do people value music? 9
2.9 Music industry 9
2.10 Music business model 10

3 Methodology 11

3.1 Data collection 13

4 Research results 14

4.1 Music piracy 14
4.2 Rise of streaming services 16
4.3 Spotify's business model 17
4.4 How streaming pay-outs work 20
4.5 How royalties are calculated 24
4.6 Royalty pay-out flow 28
4.7 The entertainment industry 30
4.8 Music listening survey 31

5 Analysis 35

5.1 Discussion 35
5.2 Limitations and reliability 36
5.3 Further research 37

6 Conclusions 37

7 References 38

LIST OF FIGURES

Figure 1 CD price index 1990 - 2004 7
Figure 2 Global recorded music revenues by format 1999-2021 10
Figure 3 Global music streaming service market share 2020 Q2 17
Figure 4 Spotify subscription prices, cheapest and most expensive 18
Figure 5 Apple Music subscription prices, cheapest and most expensive 19
Figure 6 Average streaming pay-outs per platform 2021 20
Figure 7 Licenses needed to stream songs 21
Figure 8 Royalty pay-out flow 22
Figure 9 Royalty pay-out flow for DYI artists 22
Figure 10 Public performance license 23
Figure 11 Right of reproduction license 24
Figure 12 Spotify pool of money 25
Figure 13 Percentage rates set by CRB judges 26
Figure 14 Total sound recording royalties for all labels 27
Figure 15 how $1 Flows from Spotify to Recording Artists 29
Figure 16 Survey question: listening to music as a primary activity 32
Figure 17 Survey question: when do you listen to music 32
Figure 18 Survey question: alternative activities to music listening 33
Figure 19 Survey question: music service usage 33
Figure 20 Survey question: music listening monthly expenditure 34
Figure 21 Survey: free music service users' occupation 34

1 Introduction

It is no secret that digitalisation has brought change and disruption to the music industry. The idea that the Internet has drastically changed traditional business practices employed by music labels and artists is certainly not new. On-demand streaming services grant users access to a platform of music content without needing to purchase or download a specific song. These streaming platforms have increased in popularity, continued to gain paying subscribers, and proved to be essential for what can be arguably defined as a renaissance of the music industry, which did not see consecutive yearly revenue growth since 1999 (Hochberg, 2019).

But despite this industry revitalisation, there is still an overarching narrative that music has lost much of its monetary value, as statistics suggest that the recorded music market is not as big nor profitable as it was during the pre-digital era, when the media was predominantly purchased and consumed in the physical format, as shown by statistics from the International Federation of the Phonographic Industry (IFPI 2021).

Even though streaming services continually attract subscribers and will likely be a key contributor to the growth of the music industry in the foreseeable future, there are still split opinions on whether they truly benefit artists and the industry as a whole. Some critics and musicians argue that streaming platforms like Spotify (more on streaming platforms later) dramatically devalue recorded music, and it is easy to see the reason behind their discontent. Music streaming services offer unlimited access to a catalogue of dozens of millions of songs at an average price of $ 9.99, which just two decades ago, would be barely enough to buy a CD album containing 12 tracks (Hogan, 2015). Streaming services also give low royalty payouts, ranging from $ 0,0032 to $ 0,0099 per stream of a song, depending on the platform (Soundcharts.com 2019), which is a practice subject of constant criticism, as some argue it substantially undervalues music as an art form and is not a fair remuneration for the artist.

This poses the partly unexplored question of, what is the value of recorded music in the streaming dominated era? More specifically, is music truly an undervalued good? Are digitalisation and the popularity of streaming services the sole catalysts for this dramatic change of the economic value of music? Could this change instead be a

reflection of the shifts in consumer trends, preferences and allocation of resources towards general media & entertainment, which has led to the devaluation of recorded music as a form of media?

"Music is art, and art is important and rare. Important, rare things are valuable. Valuable things should be paid for. It's my opinion that music should not be free, and my prediction is that individual artists and their labels will someday decide what an album's price point is", remarked Taylor Swift in 2014, after pulling her catalogue out of Spotify, accusing the platform of underpaying artists, before reinstating her work on the platform again years later (Engel, 2014).

The value of music has often been somewhat of a grey area. First and foremost, music is an art form, and like many forms of art, it is often subject of both economical, philosophical and cultural debates when trying to price an evaluation. From an economics perspective, one may argue that music, if considered like any other product in a market, should be valued according to its supply demand and consumer utility. From a philosophical view, there are ideas of intrinsic and instrumental value, something that is worth for its own sake versus something that is worth as a means to an end (SEP, 2019).

Because music is an art form, as per Taylor Swift, one may argue that it is priceless, subjective, or will depend on an individual's degree of emotional attachment to that art, and consequently what are they willing to pay to satisfy those emotions. However, from an economic perspective, hardly any product is completely priceless, and will always be subject to a variety of influences that will ultimately determine their value and price in the market, regardless of whether such product may or may not be of an artistic or cultural essence.

2 Literature review

While the idea of value can be highly nuanced and is often subjective, the actual valuation or worth estimate of a product or service does require some degree of objective measure, so economies and businesses can better benchmark the monetary worth of goods and services.

To gain a better understanding of both semantic and pragmatic concept of value, and subsequently discuss the value of recorded music, it is important to review different economic value theories and models, as well as some of the major influencing factors that have heavily impacted the value of music throughout the past decades until today.

For the purposes of this discussion, a distinction needs to be made between the different facets of the music industry (live events, licensing, etc.), so to avoid confusion and needless repetition, when the word “music” is used in this paper, it is only and exclusively referring to recorded music. The recorded music industry specifically refers to sound performance that is pre-recorded, published, consumed, and sold in digital or physical format, for the personal use of the consumers.

2.1 Economic value

Economic value is a concept that is often subject of different interpretations. Some describe it as a measure of the benefit from a good or service to an economic agent. From a marketplace perspective, it can be defined as the maximum amount of money a consumer is willing and able to pay for a good or service (Banton, 2019).
A financial investor might define economic value as the Net Operating Profit After Tax less cost of capital, which is a common financial metric used for valuing a company (Griffiths & Lucas, 2016).

M. R. Griffiths & J. R. Lucas (2016) argue that it can be misleading to refer to value of economic activities solely in terms of monetary value, as value in the economic sense is often influenced and correlated with other types of values, such as cultural, aesthetic and intrinsic, which also need to be taken into consideration by economists, as they provide useful insights on consumer preferences and behaviour (Griffiths & Lucas, 2016, pp.145–146).

There is also a time aspect to value, in the sense of how present value will be sustained in future. This is an important idea as economic value cannot be judged exclusively at one point in time, as the nature of businesses and products is cyclical, as they typically go through a growth, maturity and decline stage (Griffiths & Lucas, 2016, pp.153–146). This type of value is especially true of the music industry, as some of the

finest works possess values that transcend beyond time and leave important artistic and cultural legacy (Heel, 2006).

2.2 Classic value theory

Throughout history, economists developed various economic theories of value, to explain and make sense of the prices of commodities. In classical economics, one of the oldest value theories is labour theory. In his book “Wealth of Nations”, Adam Smith first suggests that the economic value of a product or service is determined by the cost of labour necessary to produce it. The theory also states that commodities are exchanged for the same price if they embody the same amount of labour time or will trade at a ratio determined by the differences in the two labour times (Sinha, 2010, pp 11-15).

The criticism against labour theory is its lack of practical application and its pure focus on the producer perspective. It is possible to expend a great amount labour effort on a product or service that ends up not having much value in the marketplace. In other words, it is a common occurrence that products that have a relatively low labour cost to be valued higher than products that might have a higher labour cost, and vice versa (Chappelow, 2018).

The labour theory was later developed and expanded into the concept of cost of production, which argues that final price of a good is determined by the cost of resources that were needed for production which includes labour costs and also variables such as rent and raw materials (Horwitz, 2019). This theory provides a partially more rounded explanation for the economic value of goods and services in a marketplace, as prices do have a strong correlation to the costs of production. However, it also implies that economic value is an objective property of physical items that flows from resources into the goods they produce. Criticisms of this theory state that this is a rather flawed assumption, as the cost of production does not ultimately determine market prices, as consumers do not generally care about the cost of production when purchasing an item (Murphy, 2011).

2.3 Subjective value theory

The Austrian school of Economics, led by Carl Menger, instead argued a subjective value theory, proposing that a good's value is not determined by its inherent properties, benefits, or its costs of production. Value is instead subjective, based on personal desires, wants and perception of the usefulness a good for the ends that people have at a particular point in time (Horwitz, 2015).

This idea was conceptualised partly as an attempt solve the diamond water-paradox, the contradiction that, although water is more essential in terms of survival and usefulness, diamonds have a higher value in the market, despite not necessarily being a useful item (Kagan, 2018). This paradox was later solved by the theory of marginal utility (discussed later in this review). One criticism against the subjective theory of value is that it is a one-sided consumer driven theory, similar to the labour theory of value, a one-sided producer driven theory of value (Stomper, R., 2017).

2.4 Neoclassical value theory: supply & demand

While classical economic theories such as cost of production and subjective value exclusively focused on either the consumer's or producer's perspective, neoclassical economics propose a value theory that encompasses both the producer and consumer, as interrelated agents in an economic system. The neoclassical school observes their behaviour in the market, how they allocate their often-scarce resources to maximise utility, profit and satisfaction (Greenlaw & Shapiro, 2018, pp 68).

Out of the many economic concepts developed by the neo-classical school, demand and supply is one of the most important and commonly employed models in modern economics. Economists refer to the term demand as the amount of a good or service consumers are able and willing to purchase at each price, while supply is described as the amount of a certain good or service a business is willing to produce or supply at each price (Greenlaw & Shapiro, 2018, pp 46-51).

These two variables are strongly correlated, and their relationship has an effect on the price of goods services. Generally, when supply exceeds demand for a good or service, prices fall, and when demand exceeds supply, prices tend to rise.

Shifts in demand and supply can also be affected by a variety of factors other than price. From the demand perspective, variables such as consumers' income, changing tastes and preferences, composition of the population, availability and price of substitute goods all play a role in affecting demand. Some of the factors influencing the level of supply are input costs, raw materials available, technological advancements, prices of related goods, taxes, and government regulations (Greenlaw & Shapiro, 2018, pp 46-51).

When analysing the relationship between supply and demand and their influencing factors, economists often use the method of "Other things being equal", which is the idea of analysing the effect of one economic variable has on another, provided all other variables remain the same. (Greenlaw & Shapiro, 2018, pp 52).

2.5 Utility and consumer surplus

One of neoclassical economics' focal point is the study of consumer behaviour, and how they allocate their limited resources in purchasing goods and services to maximise their return in the form of satisfaction. A common concept used by modern economists when observing consumer behaviour is utility, which is defined as the amount of satisfaction or usefulness a consumer receives from consuming a product or service (Hyun, 2016, pp 21-24).

The economic utility of a product or service is important to understand, because it can have a direct influence on the demand, and subsequently price, of that product or service. A common concept is the theory of marginal utility, which is the additional benefit that a consumer receives from purchasing an additional unit of a product or service. This implies that the more a product or service consumers have, the less they would be willing to spend for more of it, due to the diminishing additional benefits they would receive (Greenlaw & Shapiro, 2018, pp 134-138).

Another important notion related to marginal utility is the theory of consumer and producer surplus. A consumer surplus occurs when consumers can purchase a product for a price that is less than the highest price that they would be willing to pay, while the producer surplus is the amount that producers profit by selling at a price that is higher than the least that they would be willing to sell for (Currie, J., Murphy, J.).

Consumers need to solve their constrained optimisation problem when making a rational choice between music consumption and all other goods. Since consumption of more goods leads to greater levels of utility, and since microeconomics assumes the rational consumer is a utility maximiser, the consumer would rather choose a consumption that will yield the maximum utility at a minimum cost (Hyun, 2016, pp 19-25).

2.6 The value of music

Before the invention of sound recording, the only viable way for people to consume music was to listen to someone play it in a live setting. The invention of the phonographic cylinder by Thomas Edison in the late 1800s paved the way for the birth and rise of recorded music as a legitimate practice and industry (Hilton, 2017). Throughout the 1900s and until the modern times, there have been multiple playback format inventions of recorded music. The most significant recording formats that were developed after the introduction of the phonographic cylinder were the gramophone disc, vinyl, cassette, compact disc, and mp3 (The Library of Congress, 2015).

The price of music historically varied across those different recording formats, and generally depended on the manufacturing costs of their respective sound carriers. Adjusting by inflation and considering only the peak year of production of the respective recording formats, the average price of a new phonograph cylinder was $13.88 in 1907, $10.89 for a shellac disc in 1947, $28.55 for a vinyl album in 1977. Cassette tape was $16.66 in 1988, CD was $21.59 in 2000, and a digital album was $11.11 in 2013 (Brennan & Devine, 2020).

One of the major factors that is generally considered to be the major influence in the decline of music prices (and sales) is generally attributed to rise of piracy and p2p (peer to peer) platforms in late 1990s, a computer system that enabled users to share digital files through a connected network (Ghoshal, 2018). From an economics

standpoint, pirated music acts as a perfect substitute to legally purchased music, as they are perfectly interchangeable and provide the same listening experience, at essentially zero cost and hence they provide a greater economic utility to consumers (Hyun,.2016, pp 30).

There is also a case to be made for the fact that the value music was already plummeting before the rise of piracy. Alhadeff (2006) proposes in his paper that the price of music was dropping since 1990, by using a price index calculation.
The price index encompasses the value of wholesale product in the recorded music trade, specifically the movement of minimum suggested retail prices (MSRP). The index looks at the prices of CDs, cassettes, cassette singles, CD singles, music videos, vinyl singles, LPs, and EPs (Alhadeff, 2006).

Year	Nominal Prices	Real Prices
1990	100.0	100.0
1991	107.0	103.8
1992	108.3	102.2
1993	109.4	100.4
1994	108.6	96.9
1995	108.4	94.4
1996	107.2	91.7
1997	111.3	92.5
1998	113.5	92.9
1999	114.5	91.5
2000	115.5	89.6
2001	120.4	90.3
2002	121.4	89.6
2003	121.1	87.0
2004	117.3	82.1

Figure 1 CD price index 1990 - 2004

This fall in price is attributed to the inability of record labels to capitalise on their popular “megastar” releases, or in other words, chart-topping successful records that move the market, command shelf space, and are demand inelastic. This stems from the fact that fierce competition existed amongst retailers. Big box retailers, used loss-leading pricing strategy to attract customers, driving the prices of top albums down, which prevented the maximisation of labels’ profits (Lieb, 2018).

This considerably damaged traditional music retailers’ business, who in turn pressured record labels to reduce their wholesale prices. This resulted in an ecosystem where more hit releases flooded the market, increasing the overall supply side of the music, while the overall prices of music kept dropping (Alhadeff, 2006).

Moreover, when labels tried to boost their revenues by price fixing the price of CDs, they were taken to court and fined, as according to investigations, it was estimated that consumers were overcharged by $ 500 million from 1996 to 2000 when purchasing CD albums (Labaton, 2000).

2.7 Values beyond economics

In the 2014 Handbook of the Economics of Art and Culture, Levinson proposes that music’s most important value beyond its artistic and economic values are its social and cultural values. He highlights the importance of music in fostering communities and bringing people together with live events, the self-affirming, and idiosyncratic effects it has on individuals, and its mood-enhancement effects and accompaniment values.

In the book “Why Music Matters”, Hesmondhalgh discusses the way in which music enriches people’s lives is by two folds. The first is the personal, as music can often feel intensely and emotionally linked to the private self. The second is the social, as music can be the basis of collective and public experiences, that can bring strangers together.

Both two dimensions support and reinforce each other, and ultimately, music acts almost as a meeting point of intimate and social realms.

Taking a more pragmatic perspective, Reimer argues in his essay that music’s value resides in its capacity of enhancing the depth, quality, and intensity of different human

experiences. Music has the ability of transforming ordinary experiences into extraordinary, mundane activities into pleasant activities, and creates an alternative or escape to the reality of everyday life (Reimer, 2002).

2.8 Do people value music?

On the other hand, it would be appropriate to also consider less sentimental and more pragmatic frameworks when it comes to how individuals value music. In a 2019 paper named “Do people value recorded Music”, Lee M. examines the value gap between music’s socio-cultural and economic values. The journal questions the common assumption that recorded music is not being properly valued in economic terms, even when individuals supposedly place a high value on music. The author proposes that despite the general narrative that music is such an essential part of people’s lives, the average individual does not actually value music as much as musicians, fans, industry workers, critics, and scholars, who represent the minority of a population. The article argues that reduced revenue in the recorded music industry might not be caused by digitisation or streaming (or at the very least not entirely) but is a reflection of the current socio-cultural value the common consumer place upon music, which is prevalently the one of background sound to accompany other daily activities and therefore substitutable. While the author acknowledges the lack of significant evidence to back some of the claims, the propositions presented are quite compelling and merit further discussion, in that they offer a contrasting view to music scholars who may often over-sentimentalise the value of the art (Marshall, 2019).

2.9 Music industry

As recently as 2014, the recorded music industry was on a decade-long downward trend of yearly revenue decline, a pattern that started in 2001, as shown in the below chart, from a 2020 report conducted by the International Federation of the Phonographic Industry chart below (IFPI, 2020*)*.

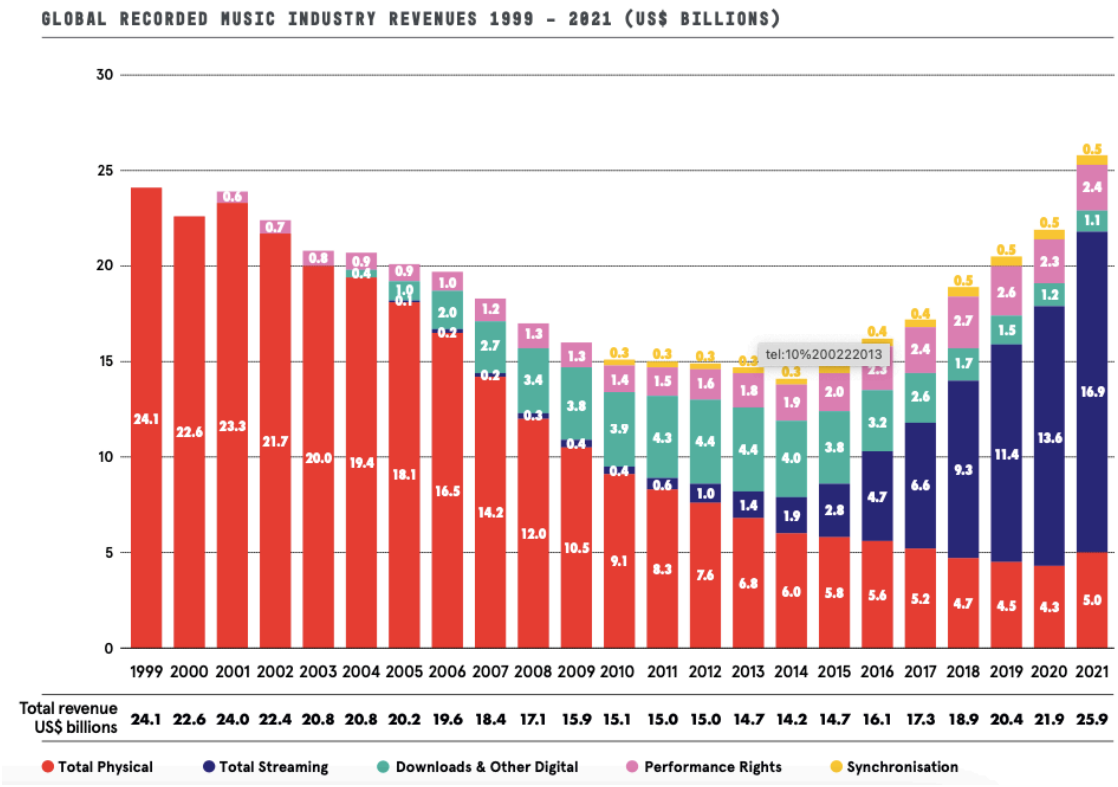

Figure 2 Global recorded music revenues by format 1999-2021

The chart shows the gradual revenue decline of the industry since 2001 when the physical format was the most sold and the main revenue source of the recorded music market. The most popular physical format was the compact disc (CD), which until the mid 2000s, was a mainstay since its introduction to the music industry in the 1980s (Richter, 2019). The average retail price of a CD album ranged from 12 to 20 dollars, with variables such as wholesale price, suggested retail price, retail competitors' prices and desirability of the release as main influencing factors in determining the retail price (Strauss, 1995).

2.10 Music business model

The music release and production model employed by major labels during the pre-digital era followed a concise process, which is still often employed today. This begins with the signing of artists to recording contracts, with the aim of recording music that could be developed into a full album. Once the album was completed, the artist and

their work would be marketed to a specific demographic to gain notoriety for the album (Nestor, 2010). One of the essential components of this marketing campaign would be the release of a “single” or a stand-out individual song from the upcoming album, to increase the targeted audience’s interest and demand for the forthcoming release. The new album would be then delivered to retailers who in turn would sell it to consumers in the targeted demographic (Nestor, 2010).

Major record labels employed this model also bearing in mind that quite often, the first 300,000 to 500,000 sold copies of CDs do not yield a profit, as the revenue generated only covers for the initial investment to produce the album, including costs to sign the artist, employee salaries and marketing expenses. As the market was also increasingly filled with more releases, labels incremented their spending on promotion to stay competitive (Strauss, 1995).

Major record labels are the biggest music label corporations, namely Sony, Warner, and Universal, or any sub-label that falls under the umbrella of the parent major label. As they are heavily funded, they have big budgets for marketing, possess large network of connections and often operate their own publishing and distribution companies. On the other hand, independent (or indie) labels are small music companies with no affiliation and are not financially funded by any of the major record labels (Moore, 2020).

3 Methodology

In order to formulate a theory to answer the main research question posed in this paper, that is, what is the value of recorded music in the streaming dominated era, it is necessary also to examine a subset of related queries about the current music industry landscape, which are directly pertinent and will offer a more holistic and comprehensive viewpoint to the main research topic.

How is the price of music set in the first place, and has such price accurately depicted the value of music? How did the price of music fall so drastically throughout the past years, and Is music truly an undervalued good? Are piracy, digitalisation, and the popularity of streaming services the sole catalysts for this dramatic change of the economic value of music? Could this change instead be a reflection of the shifts in

consumer trends, preferences and allocation of resources towards general media & entertainment, which has led to the devaluation of recorded music as a form of media? How do streaming services like Spotify determine their royalty payout?

To answer the above questions, mixed methods research about the music industry and individuals' music listening trends and habits will be conducted. This is to identify the possible binary connection, correlation or causation that may exist between the two sides, and how the macro (in this case the music industry), and micro (the individual listener) affect each other.

Research can be defined as a diligent search, thoughtful inquiry, or in-depth investigation with the aim of discovering new facts and findings. It may relate to any subject of inquiry with regard to gathering of information, interpretation of data, revision of existing theories or laws in the light of new facts or practical ideas (Adams, Khan & Raeside, 2014).

Fundamentally, research is conducted in order to enhance the existing body of knowledge, or to extend knowledge about aspects of the world of which there is little or no information at all, to enable individuals to better understand and make sense of the world they live in (Adams, Khan & Raeside, 2014).

There are four main types of research: descriptive, explanatory (or causal), predictive and exploratory. Descriptive research is aimed at describing phenomena and is not particularly concerned with understanding why behaviour is the way it is. For example, it aims to describe social systems, relationships between events and provides background information about the issue in question (Adams, Khan & Raeside, 2014).

Explanatory, or causal research, is more profound in the sense that it investigates phenomena and attempts to explain the underlying causes behind it. This type of research aims at explaining social relations, advancing knowledge about the structure, mechanisms and nature of social events, linking factors into general statements and building, testing or revising a theory (Adams, Khan & Raeside, 2014).

Predictive research is an attempt not only to explain behaviour, but also to predict future behaviour based on the present understanding of physical or human

phenomenon. This type of research is very useful to governments in the design and application of policy for example (Adams, Khan & Raeside, 2014).

This paper will primarily employ exploratory and correlational research. The former is conducted in order to determine the nature of the problem, as it is not intended to provide conclusive evidence, but aims at providing a better understanding of the problem. When undertaking exploratory research, the researcher needs to be willing to change direction when encountering new data and new insights (Dudovskiy, 2012).

The latter, correlational research, aims to investigate if relationships between two or more variables and if a causal relationship exists between such variables. Correlational research can provide initial indications or additional support for theories about causal relationships (Bhandari, 2020).

3.1 Data collection

A mixed methodology will be used for the research of this paper, so both qualitative and qualitative research methodologies using both primary and secondary data will be employed. Kothari (2004) states that qualitative research is a type of methodology that aims at discovering underlying motives and desires through the observation of phenomena.

Qualitative research is especially important in the behavioural sciences, where the aim is to discover the underlying motivation of human behaviour. Through such research it is possible to analyse the various factors that influence people to adopt a particular behaviour, or which make people like or dislike a particular thing (Kothari, 2004).

A qualitative research approach is about recording, analysing and understanding the deeper meaning and significance behind the data and revealable variables. The research approach adopted is an inductive method, wherein the researcher develops a theory by observing and finding a pattern in the data that is collected (Chandra & Harindran 2017).

Quantitative Research, on the other hand, is based on the measurement of quantity or amount, and applied to phenomena that can be expressed in numbers and terms of quantity (Kothari, 2004). This method involves collecting and analysing a large amount

of numerical data, with the aim of finding patterns, identifying relationships and generalising the results to wider populations (Bhandari, 2020). A survey about individuals' music listening habits and trends is conducted in order to find any possible correlation and causation between such trends and the current state of the streaming industry.

This paper makes use of both primary and secondary data & sources from industry-relevant websites, books, journals, studies and articles. Primary data provides raw information and un-opinionated evidence such as statistical data, while secondary data provides second-hand information interpretative insights from researchers and sources such as articles, journals and books (Streefkerk, 2019).

In this paper, Spotify will act as the primary representation and benchmark of the music streaming industry and its economy. Spotify has been, and continues to be a pioneer in the music streaming service industry and is currently the most popular service in terms of paying subscribers, with a 32% share of the total subscribers worldwide, trailed by Apple music at 16% share (Mulligan, 2021).

4 Research results

4.1 Music piracy

The economic value decline of the music industry started with the rise of P2P sharing platforms in the late 90s, with Napster as the leading pioneer (Ghoshal, 2018). P2P platforms enabled its users to freely share, access and download media files such as books, movies, and music through a connected computer network. As mentioned in the literature review, pirated music acts as a perfect substitute to legally purchased music, as they are perfectly interchangeable and provide the same listening experience, at essentially zero cost to the consumer. However, while the free aspect was the biggest reason why people turned these illegal platforms, there were also other understated reasons.

For starters, assortment was a big advantage of big P2P platforms, as they offered an extensive selection of songs, which is not usually available in CD shops (Sandulli, 2007). The ability of also being able to access music with relative ease, with just a

internet-connected PC, proved to be a big convenience aspect compared to conventional CD purchasing, as the ladder typically involves logistical efforts, such as travelling, being aware of opening hours of a shop, and exploring music catalogues on shelfs (Molteni & Ordanini, 2003).

Another plus side in using P2P platforms related to music and artists discovery. Traditionally, the possibility to sample new music is often very limited at physical retail stores, where in most cases just few CDs are available for pre-purchase listening (Sandulli, 2007). In this sense, the new possibilities offered stimulated the user's curiosity, willingness, and desire to discover and evaluate new music and artists. (Molteni & Ordanini, 2003). Moreover, P2P users also benefited from the consumption experience of other users. P2P users contribute and feel part of a global online community, where through shared playlists they can share opinions and experiences with other users (Sandulli, 2007).

Finally, another considerable upside of P2P download was flexibility in relation to cherry-picking songs. For instance, some music consumers believed that many CDs only contain a few good songs. By downloading music from P2P networks, consumers can hand-pick songs they like, instead of having to buy full CD albums (Sandulli, 2007). It is not coincidence that labels barely, if at all, released singles on physical formats, as singles traditionally delivered limited profits, and if given the option, a percentage of consumers would opt to buy singles rather than full albums, which would result in less revenue for record labels (Nestor, 2010).

The convenience factors of flexibility in choice, accessibility and portability of music, were needs that Apple recognised during the emergence of the digital music landscape. The company managed to satisfy these consumer needs with the iPod and the iTunes Store, two products that complemented each other perfectly and completely changed the way music was experienced at the time (Nestor, 2010).

The iPod enabled its users to have an entire music catalogue in one single, small amd easy to carry device, while the iTunes Store allowed consumers to purchase individual digitals songs without having to pay for full albums. Much to the displeasure of labels, all singles initially had a flat cost $ 0.99, a uniform pricing model bargained by Steve Jobs who favoured convenience and simplicity for consumers and believed it would be great to entice consumers to impulse buy (Chaffin & Allison, 2006).

Record labels later managed to negotiate for a variable pricing model in 2009, under which songs would cost either $0.69 cents, $0.99 cents or $1.29, depending on how desirable the specific track was (Weisenthal, 2009).

While Apple and its iTunes music store provided consumers a legitimate way to consume digital music at a reasonable price and contributed to the music industry at large in recovering some of the music sales that had been spiralling downward since Napster, it was not void of critiques. The major criticism aimed at Apple revolved around the DRM (digital rights management) restrictions that iTunes initially deliberately implemented, which restricted music purchased from the iTunes music store to be played only on Apple devices (Sharpe & Arewa, 2007)

After ensuing criticisms, the DRM restrictions loosened over time. However, many still believed that Apple's business model, which was clearly geared towards selling their products, especially the iPod, was anti-consumer friendly, as the nature of the bundling system of the iPod and iTunes music store restricts people to having to purchase Apple products and services (Sharpe & Arewa, 2007).

4.2 Rise of streaming services

The P2P constraint was one of the reasons why Itunes did not ultimately prove to be the solution to the recording industry's struggle to reduce piracy and help regain economic growth in the digital music landscape. The allure of free downloads and compatibility with all devices compelled consumers to still resort to P2P platforms. Moreover, it was a big challenge to convince consumers who were exposed to free digital music to pay for what they could acquire completely for free (Sun, 2019).

As later stated by the founder of Spotify, Daniel Ek, it was clear around the time, that pirated music was a lot better than purchasable legal music, as there were not legal digital music services that satisfied consumers' needs without sacrificing financial legitimacy (Sun, 2019).

Things began to change significantly in 2008 with the advent of online streaming services, which a proposed a model based on user acess rather than ownership. As of 2022, music streaming services account for 65% of the global music market revenues generated, with reported earnings of $ 16,9 billion in 2021, and a 24.3% growth on overall streaming revenues from the previous year (IFPI 2022). §

4.3 Spotify's business model

Spotify has been the major pioneer of music streaming and is also currently the most popular service. As of 2020, the company has a global market share of 34%, loosely followed its biggest competitor Apple Music, at 21% (Kumar, 2020).

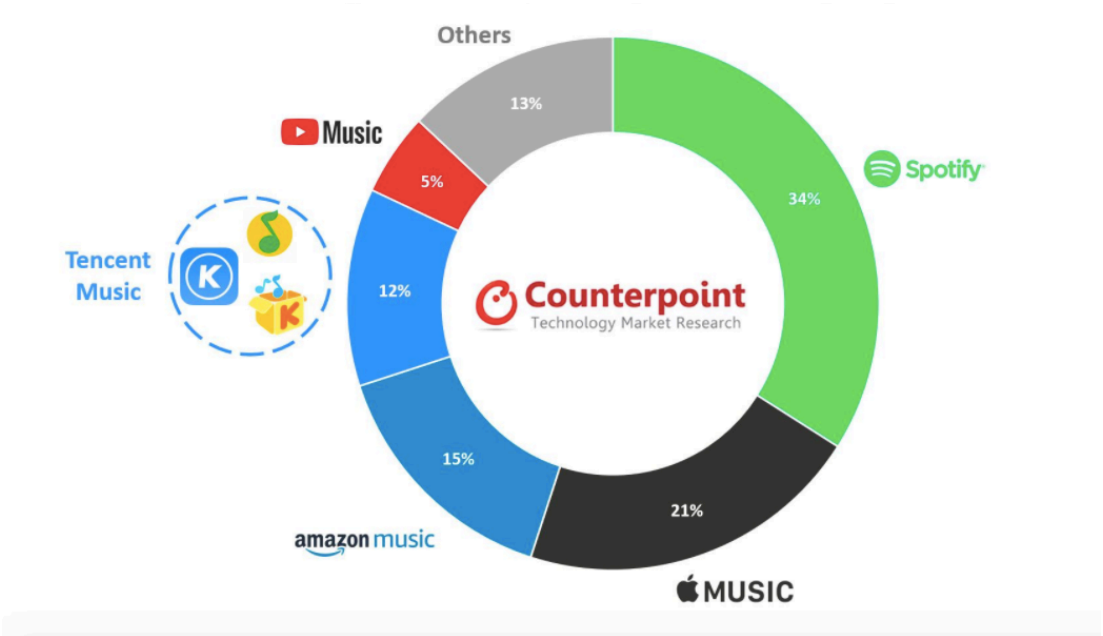

Figure 3 Global music streaming service market share 2020 Q2

In essence, Spotify offers two services to its users, a free ad-supported plan with, and a paid premium plan, with the former being at at the core of Spotify's acquisition strategy to amass new users.

The option of a free, ad-supported service with some restrictions and limited functionalities, is a way to convert free users into paying subscribers by hooking them to the service, whilst also earning a secondary stream of revenue through third-party advertisement on the platform (Halmenschlager & Waelbroeck, 2014). This approach has proved to be effective in monetising consumers with low willingness to pay and who would have otherwise resorted to piracy, by offering a technically superior and user-friendly legal service that is also free, to compete against a illegal free platforms (Halmenschlager & Waelbroeck, 2014). Statistics suggest Spotify's conversion rate is somewhere between 14.2% and 16.4% (Yakubenkov, 2020), which is significantly higher than the average for freemium services, standing at around 2-5% (Cox, 2020).

Throughout many years, Spotify, amongst other major streaming services such as Apple Music, have offered similar monthly subscription prices for a premium plan in a variety of markets (De Looper & Cohen, 2020), though the actual price can hugely vary depending on which country the service is offered. Spotify sets the price of its plans based on the potential value of the destination country and the purchasing power of the people in that country. For instance, the cheapest Spotify premium plan is offered in India and costs $ 1.58, while the most expensive plan priced at $ 14.39 in Denmark (Davidson, 2020).

10 countries where a Spotify Premium subscription is cheapest		10 countries where a Spotify Premium subscription is most expensive	
Country	**Basic tariff, $/month**	**Country**	**Basic tariff, $/month**
India	$1.58	Denmark	$14.39
Argentina	$2.06	Switzerland	$13.34
Vietnam	$2.54	Liechtenstein	$13.30
Philippines	$2.56	United Kingdom	$12.21
Turkey	$2.58	Austria	$10.85
Brazil	$2.87	Belgium	$10.85
Egypt	$3.15	Finland	$10.85
South Africa	$3.23	France	$10.85
Indonesia	$3.36	Germany	$10.85
Malaysia	$3.44	Iceland	$10.85

Figure 4 Spotify subscription prices, cheapest and most expensive

Apple music, Spotify's biggest competitor, offers smilar pricing with marginal differences for its service in different markets around the world.

10 countries where a Apple Music subscription is cheapest		10 countries where a Apple Music subscription is most expensive	
Country	Basic tariff, $/month	Country	Basic tariff, $/month
India	$1.32	Denmark	$15.50
China	$1.43	Switzerland	$14.01
Turkey	$2.04	United Kingdom	$12.78
Nigeria	$2.32	Austria	$11.64
Russia	$2.36	Belgium	$11.64
Vietnam	$2.55	Finland	$11.64
Philippines	$2.62	France	$11.64
Botswana	$2.99	Germany	$11.64
Cameroon	$2.99	Ireland	$11.64
Costa Rica	$2.99	Italy	$11.64

Figure 5 Apple Music subscription prices, cheapest and most expensive

The reason for these nearly uniform prices amongst these competing platforms can be explained by the fact that a drastic price difference could prompt consumers into swapping platforms. As most music streaming services offer the same music library, and do not provide much, if at all, exclusive content compared to a video service such as Netflix, switching streaming providers would be a fairly easy choice for consumers if a music streaming service decided to increase their price (Wang, 2019).

Music streaming companies are also rarely profitable, and financial losses are often sustained by capital investment (in the case of Spotify) or subsidy from an established, profitable parent company such as in the case of Apple and Amazon music, whose strategy is to retain consumers into their bigger products and service ecosystem (Hesmondhalgh, 2020).

Because of these factors, Spotify's strategy shifted towards investing in the acquisition of exclusive content in the form of podcast, most notably signing a reported $ 100 million exclusivity deal with the popular podcast "The Joe Rogan Experience". By enhancing its content library with exclusive podcasts, Spotify wants to attract new users to its platform, aiming at both converting such users into premium subscribers, but also increase advertising revenue (for its free tier) thanks to the increased audience base (Schafer, 2021).

4.4 How streaming pay-outs work

As mentioned in the introduction, one of the biggest reasons why the value of music is questioned is because of the low royalty payouts by streaming companies, a practice that is commonly subject to criticism by industry experts, fans and artists alike. The table below shows the average royalty payout by different streaming platforms in 2021 (FITZJOHN, 2021).

STREAMING PLATFORM	ROYALTY RATES
Amazon Music	$0.00402 per stream
Apple Music	0.00783 per stream
Tidal Music	$0.01284 per stream
Napster	$0.019 per stream
Deezer	$0.0064 per stream
Pandora	$0.00133 per stream
YouTube Music	$0.0008 per stream
Spotify	$0.00318 per stream

Figure 6 Average streaming pay-outs per platform 2021

As stated on Spotify's website, a stream is qualified (or counted) when someone listens to a song for over 30 seconds, and the same applies to other streaming platforms (artists.spotify.com).

First of all, in order to stream a song, Spotify, and other streaming platforms, need two separate licences, the sound recording licence and composition licence. Both of these licences will determine the amount of royalty generated each time there is a qualified stream of a song on a platform. The sound recording licence and composition licence have their own royalty rules and rates and calculations to determine how much royalty is earned. The payments created through these two separate licences are funnelled through different channels to get to their respective earners (Price, 2020).

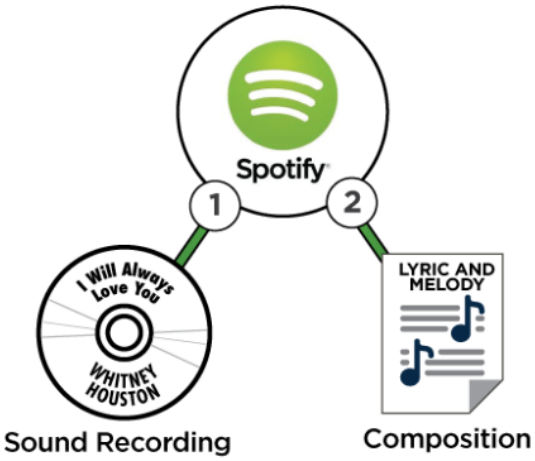

Figure 7 Licenses needed to stream songs

The sound recording licence refers to the artist who performs, or records the sound, which then results in a distinct track. The record label to which the artist is signed to, would then use distributors (or publishers), to have the sound recording on a streaming platform. When royalties are generated from a stream, a platform like Spotify would then pay the distributor, which it signed the contract with for the right to stream the sound recording. The distributor takes a cut of the payout and then pays the record label, who would lastly pay the artist based on the agreement that exists between the two. Some licence agreements may stipulate that the streaming platform will directly pay the label, while some major labels like Universal Music, act as distribution companies themselves (Price, 2020).

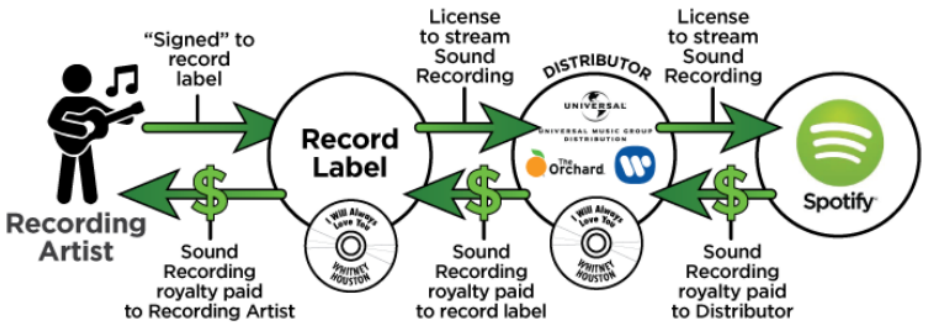

Figure 8 Royalty pay-out flow

The same concept also applies to DIY (do it yourself) artists, who likewise use a distributor to grant the sound recording licence to a platform. The difference here is that the artist acts as their own "label" and grants access to their work, as they are not under a contract with a record label, and hence are in control of their own sound recording.

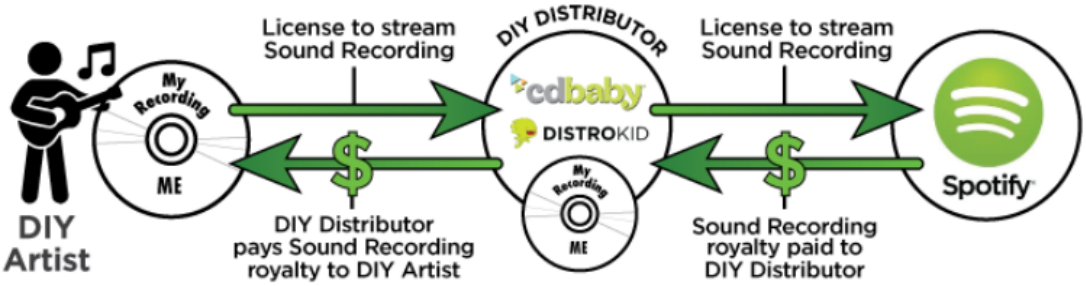

Figure 9 Royalty pay-out flow for DYI artists

A sound recording licence is also commonly referred to as the "master recording". The master recording is the official sound recording of a composition (Law Insider 2022). The holder of the master recording is usually the entity who financially produced the records, most commonly the music labels which artists are signed to.

The second licence streaming platforms need to obtain to stream music is the composition licence, which refers to the lyrics and melody of a particular song. This specific licence is split between two separate rights, the right of public performance and the right of reproduction, or commonly referred as mechanicals.

Firstly, In U.S. copyright law, a “public performance” of music is defined as music played in any public place, and when music is transmitted to the public, via radio, TV broadcasts, digital service providers, and any other means. Songwriters, composers, and music publishers have the exclusive right to play their music publicly and to authorize others to do so under the copyright law (BMI.com).

The public performance right is granted by a Performing Rights Organisation (PRO), who is also the entity that collects royalties from this right. This right can also be obtained from a self-published songwriter or the publishing administrator, if the recording artist or their respective labels are not signed up to PRO.

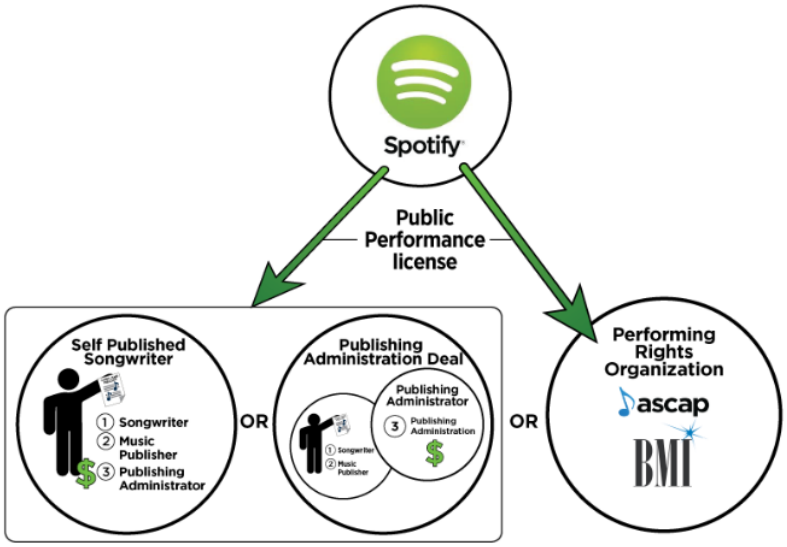

Figure 10 Public performance license

Secondly, the right of reproduction, or mechanicals, means that each time a song is “reproduced”, the agent making the reproduction must have a licence from the self-published songwriter, the publishing administrator, or a reproduction rights collection agency. Unlike the right of public performance, streaming platforms can only get the right of reproduction exclusively from only of the aforementioned entities.

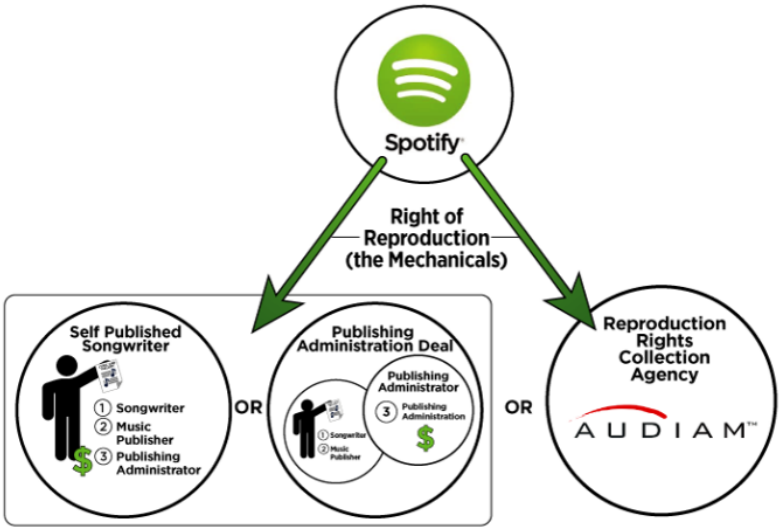

Figure 11 Right of reproduction license

4.5 How royalties are calculated

Streaming companies use different royalty calculations for the sound recording and composition licences needed to stream music on their platform.

For the sound recording royalty, a streaming platform like Spotify creates a “pool” of money, which a label, distributor or independent artist will earn from for every qualified stream of their sound recordings. Based on the licensing agreement, the “pool” of money is either the percentage of Spotify’s revenue, or the number of subscribers Spotify has, multiplied by a flat dollar amount called “subscriber minimum”. Whichever of the two results in the greater amount of money, will be then paid out to the distributor or label.

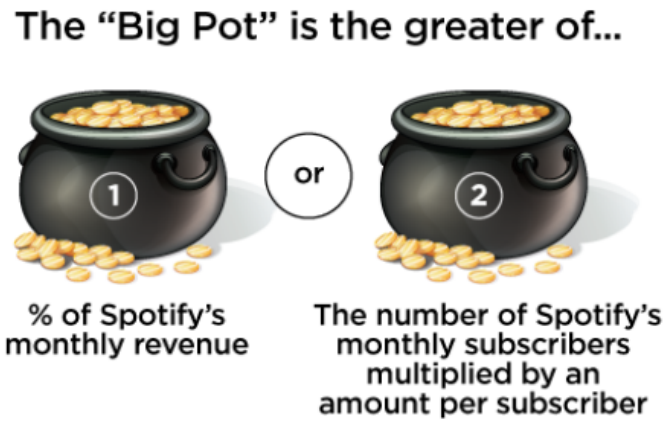

Figure 12 Spotify pool of money

By requiring the greater of the two calculations to go into the “pool”, labels or distributors granting the sound recording licence are able to cover themselves if Spotify ever drops the price of the service. By having the minimum subscriber amount available in the licensing agreement labels and distributors have a minimum amount that will go into the “pool”. The specific percentage of Spotify’s monthly Revenue and the minimum amount per subscriber that is eligible to go into the “big pool” is determined by the licence agreement between Spotify and the record labels or the distributors.

After the amount of the money in the “pool” is decided, the next step for Spotify and other streaming platforms is to determine what percentage of the overall “pool” gets distributed to each record label or distributor. This is determined by calculating what percentage of all monthly streams each record label or distributor represents for a given platform. This royalty payout method is commonly referred to as the “pro-rata share”.

Once the amount to be paid to a specific label or distributor is calculated based on the pro-rata share, the platform will then determine the amount of royalty payout for each stream, by dividing the total amount paid to each label or distributor by the number of streams of their recordings. This amount of payout will vary from month to month and will depend on factors such as a streaming platform’s revenue, number of streams on said platform, percentage of the total streams each label or distributor represents and the total number of premium subscribers.

Composition royalties, or all-in royalties, are generated for both the rights of public performance and reproduction, both needed for streaming platforms to play songs. The composition royalty is made up from two separate royalties: mechanical royalty and public performance royalty. The mechanical royalty, or reproduction or statutory royalty, is the money received for each qualified stream of a sound recording. In the US, this rate is statutory, and is set by the Copyright Board (CRB) judges at the fixed price, the greater between 9.1 cents for a physical unit and 1.75 cent for each minute of a digital unit. However, in other regions like Europe, the mechanical royalty is called “published price to dealer” or PPD, which stands at a rate of 8.712% (Royalty Exchange 2021).

The composition royalty rate also requires two different calculations to be made, and the higher of the two will go into a separate “pool” of money for composition. The composition royalties are paid to either the self-published songwriter (including the publishing administrator if they hire one) or the reproduction rights collection agency.

The first calculation is based on a percentage of Spotify’s monthly gross revenue set by the CRB judges. This percentage varies year by year, as shown in the table below

YEAR	% OF SPOTIFY’S GROSS REVENUE
2001-2017	10.5%
2018	11.1%
2019	12.3%
2020	13.3%
2021	14.2%
2022	15.1%

Figure 13 Percentage rates set by CRB judges

The second calculation is a percentage of the combined total sound recording royalties generated for record labels that had sound recordings streamed on a platform. The total sound recording royalties are calculated for all labels having music streamed on Spotify at the time the calculation is performed. Then the total sound recording royalty is multiplied by the set-on percentage by CRB illustrated in the table below.

YEAR	% OF THE COMBINED TOTAL SOUND RECORDING ROYALTIES GENERATED FOR ALL THE RECORD LABELS THAT HAD SOUND RECORDINGS STREAM ON SPOTIFY IN A MONTH
2001-2017	21.0%
2018	22.0%
2019	23.1%
2020	24.1%
2021	25.2%
2022	26.2%

Figure 14 Total sound recording royalties for all labels

When the two factors are calculated, the greater one is going to the pool of the all-in royalty. The all-in royalty is combined by the public performance royalty and the mechanical royalty, which need to be calculated separately as they are paid to separate stakeholders. Public performance royalty, which is generated by PROs from the right of public performance, will directly be paid to PROs to take a cut for their service fees and pay the rest subsequently to the self-published songwriter alone or together with their publishing administrator in their publishing administration deal. In the United States there are three primary PROs: ASCAP (the oldest one), BMI (the most popular one), and SESAC (represents European composers in the US). In the United Kingdom and Europe, there are Performing Right Societies (PRS) located in different countries. In Finland, the local organisation which is a part of the international PRS, is Teosto (PRS for Music, 2022).

Two parties were then divided with equal two shares: songwriter share and publisher shares respectively. If the songwriter is in a publishing administration deal, the remainder after the service fees for the publishing administrator will be paid to the songwriter. On the other hand, the songwriter solely or along with their publishing administrator, or the reproduction rights collection agency employed by the composer will receive the mechanical royalty or reproduction royalty.

The royalty for public performance is determined by the aggregate total of agreements between Spotify and the Performing Rights Organisation, which currently is about 6% of Spotify’s monthly revenue. To illustrate, if Spotify had $100 in Revenue for the month, 6% of the $100 would be earned by the PRO for the Public Performance of the Composition, an amount of $6.

After the royalty from the public performance is deducted from the all-in royalty, the remainder is for the right of reproduction royalty. However, when the amount of public performance royalty from Spotify accounts for mostly the ratio of the all-in royalty, the mechanical royalty gets lower within the pool. To protect the rights of the composer and publishing administrators and let them profit as possible from their works, the minimum amount is introduced for the reproduction royalty. The total numbers of Spotify's subscribers multiply by the CBR rate per every subscriber. A comparison is made between the remainder reproduction royalty and the CBR minimum reproduction royalty, the greater is going to be the mechanical royalty.

One important factor to note is that the pooling of money is not global, as it differs depending on the location of the stream of a song, since Spotify has a different subscription pricing in every country. They also separate streams from paid subscriptions from the ad-supported accounts; streams from the paid subscriptions pay out higher royalties than the ones from free accounts.

4.6 Royalty pay-out flow

While there are standard procedures when it comes to royalty pay-outs, how much money an artist makes from streaming services ultimately depends on the recording deal signed with their respective labels, specifying what percentage of royalty they are entitled to receive. Below is a graph illustrating on average, how $ 1 worth of stream flows from Spotify to three types of recording artists (Bromley & Sollberger, 2018).

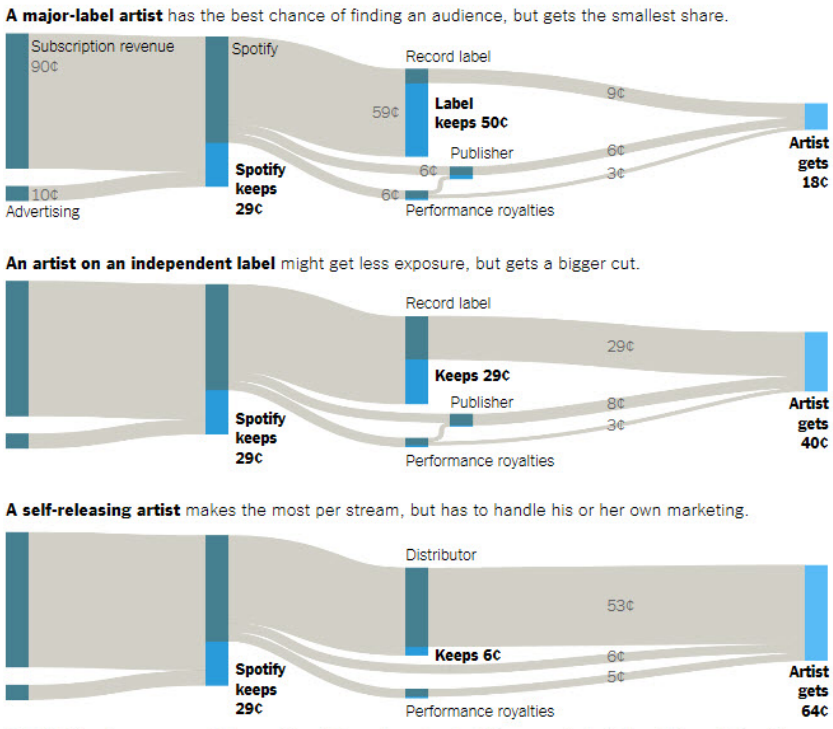

Figure 15 how $1 Flows from Spotify to Recording Artists

As illustrated by the graph, Spotify's main source of revenue comes from users using premium subscription, while a remaining portion is generated from advertising revenue from ad-supported users.

In the case of a major-label artist, $ 1 of revenue is split so that Spotify keeps 29 cents, while paying 59 cents to the record labels, who are the owners of the sound recording licence, which all streaming companies need to reproduce songs on their platform. The remaining revenue of 12 cents is then paid to the publisher in the form of mechanical royalties, and to the PRO as royalties for the right of public performance.

Then finally, the record label pays 9 cents (of its 59 cents earning from Spotify) to the artist, who also receives mechanical and public performance royalty from the publisher and PRO respectively, totalling to 18 cents. One important worth noting, is that the example in the graph assumes the artist to be also the songwriter, and hence receives the mechanical royalty in full.

The same flow applies to artists signed to independent labels. The key difference here is that the recording deal signed between with an indie label is more favourable to the artist compared to a major label, as the profit is typically split equally. Lastly, self-

releasing artists earn the most from streaming services, since revenue would not be shared with a record label, and instead, a percentage fee of 10% would be paid to a distributor

4.7 The entertainment industry

The entertainment industry has steadily grown in the past few years, as rising income, available leisure time and demand for recreation increased amongst the population. The value of the global entertainment industry has grown to near double in the past decade, reaching 2.2 trillion in 2021 (Watson, 2021).

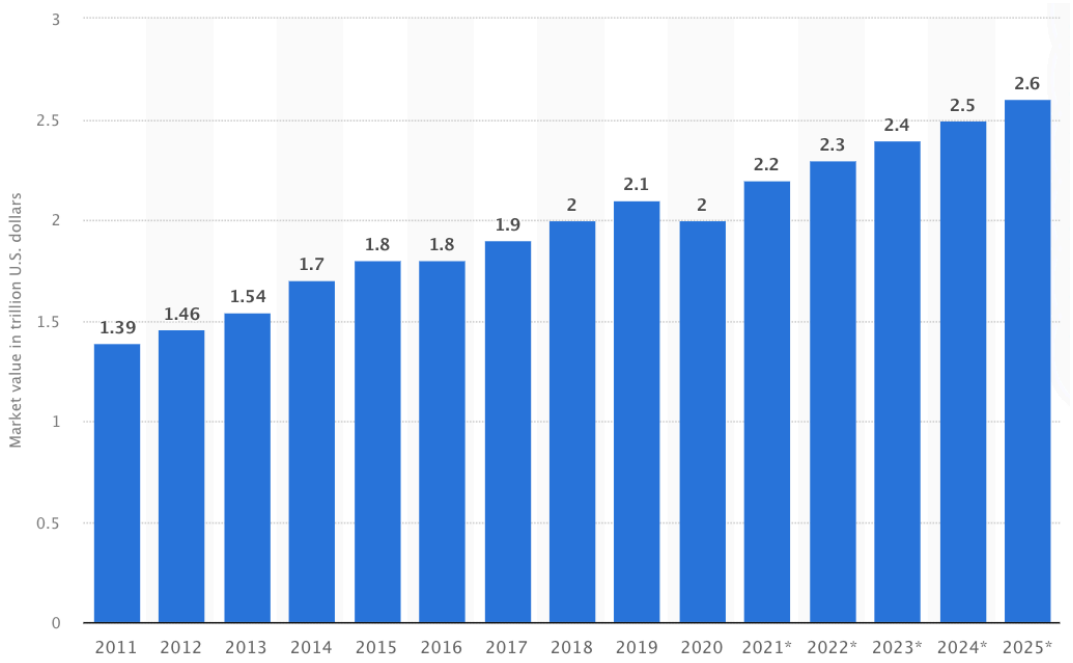

Figure 16 Entertainment market growth

Nowadays, people have endless choices of entertainment products available to them, from movies, television, music, podcast, gaming, sports, broadcasting, to free user content, all of which compete for consumers' attention.

While some definitions may vary, entertainment products can be essentially defined as any market offering whose main purpose is to offer pleasure to consumers, as opposed to offering primarily functional utility (Thorsten & Houston, 2019).

One of the defining characteristics of the entertainment industry is there exists a symmetric ignorance of information between producers and consumers, as demand for creative products is uncertain. A creative product is an “experience good”, hence the quality and demand cannot be determined prior to consumption (Caves, pp 6-8, 2002).

The satisfaction a consumer receives from experiencing entertainment goods is also largely subjective, and based on individual taste, which is also subject of external artistic standards set by critics, media and other consumers.

Another important characteristic of entertainment products is that they are “information goods”, meaning the benefit for which people consume entertainment comes from the product’s intangible information content, rather than the tangible delivery medium (Thorsten & Houston, 2019).

As once stated by economist Herbert Simon, in a information-rich world, the information consumes the attention of its recipients, hence a wealth of information creates a poverty of attention. As the entertainment industry grew, more information goods have been produced in the market, all competing to capture the attention of consumers.

4.8 Music listening survey

A survey was conducted to further explore the research questions of this paper, gain a source of primary data, and a pragmatic understanding of people’s music listening habits and tendencies. While the survey is quite small in scope due to the low number of respondents (52), there are some implications and interesting patterns that can be reflected on a macro level to be discussed later.

One of the formulated hypotheses of this paper is that music has increasingly become a commodity that is consumed passively, meaning it is an agent of accompaniment to people’s daily activities, rather than the main activity in of itself. Therefore, one of the data the survey aimed to gather was, how often do people listen to music as a primary activity, while doing nothing else.

From the survey results, 7,7% of respondents always listen to music as a primary activity and 25% of respondents was often. On the other spectrum, 32,7% of respondents rarely listen to music as a primary activity, while 32,7% do it sometimes.

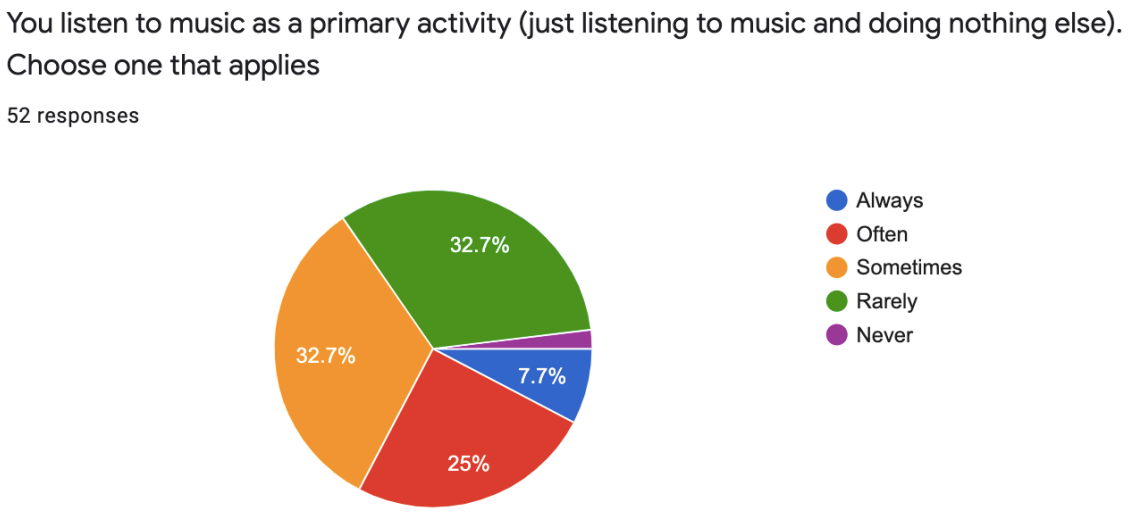

Figure 17 Survey question: listening to music as a primary activity

Another question asked in the survey was, when and in what typical daily life situations the respondents would listen to music. The respondents were made to choose all possible options that would apply to them.

In this instance, there were a total of 159 chosen options, meaning on average, each respondent chose 3 different instances of when they listen to music.

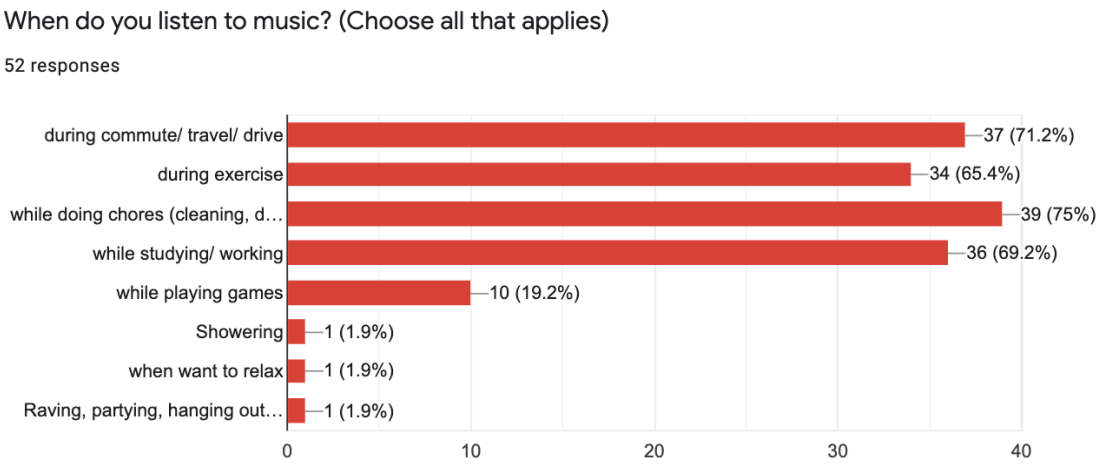

Figure 18 Survey question: when you listen to music

If a commodity is consumed passively, acts as an accompaniment to other activities, and gets rarely engaged actively as the main activity, then what does this signify for its value? To expand on the question of music listening trends, one of the questions aimed to find out what type of activities or entertainment respondents would they partake, if they are unable to listen to music. Video entertainment was the most common alternative amongst participants, With 57.7% of respondents opting for watching tv series, movies or videos.

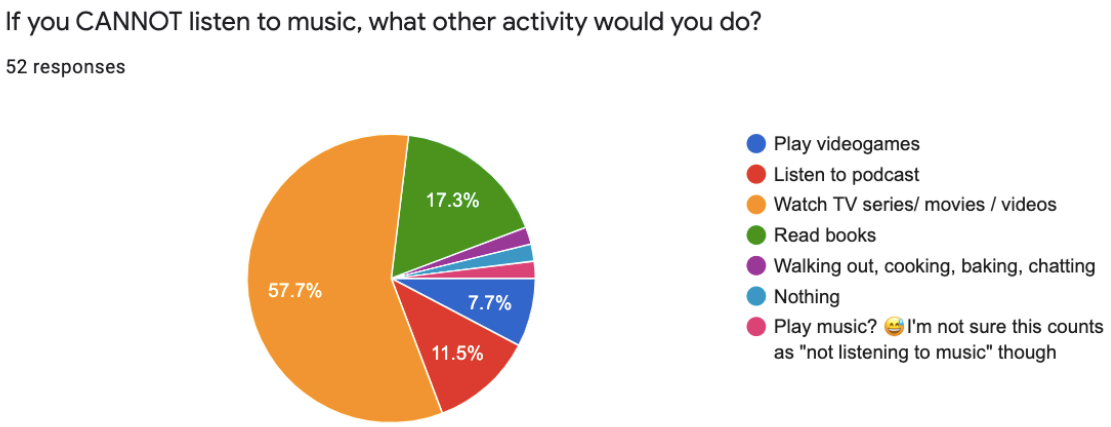

Figure 19 Survey question: alternative activities to music listening

Another question asked in the survey was how much respondents pay to listen to music. 53.8% of the respondents use a free music service such as Youtube or Spotify free.

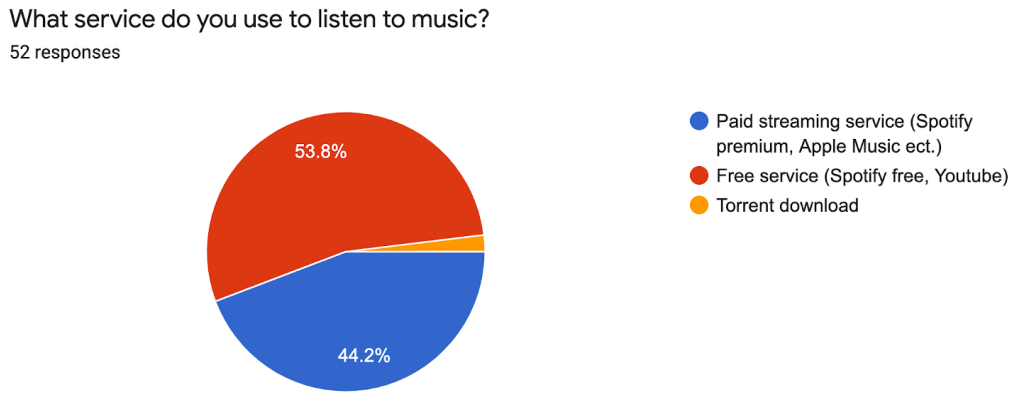

Figure 20 Survey question: music service usage

In conjunction with the previous survey question, participants were also asked how much they spend on a monthly basis to listen to recorded music. Over half of the

respondents, 51.9% do not spend any money to listen to music, which validates the previous result of 53.8% of respondents resorting to a free music service provider.

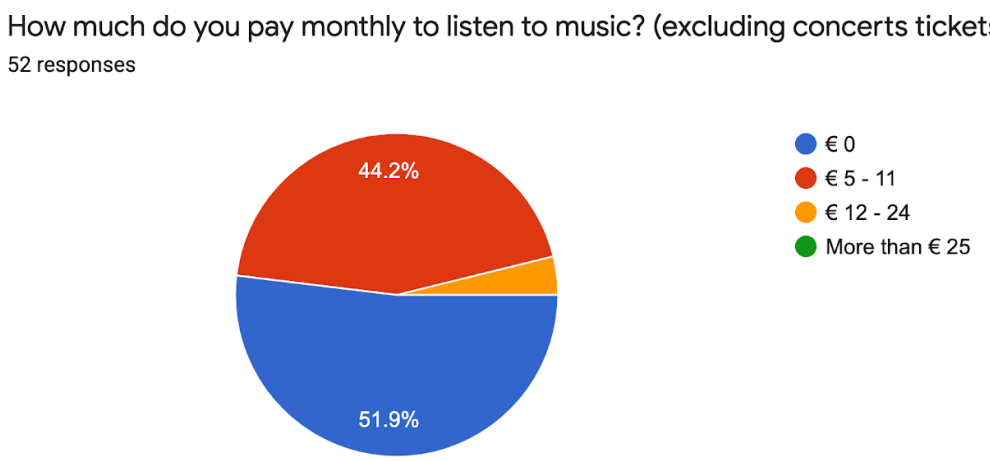

Figure 21 Survey question: music listening monthly expenditure

However, it is worth noting that there is a correlation between respondents' occupation and their choice of music service. For instance, over half (53.8%) of the respondents who use a free music service are students or unemployed.

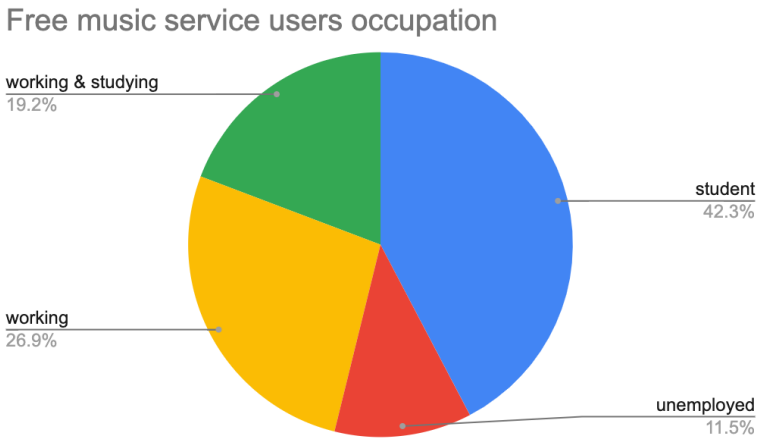

Figure 22 Survey: free music service users' occupation

5 Analysis

5.1 Discussion

This thesis aims to find answers to what is the value of recorded music in the streaming era, if music is truly an undervalued good, and if such value decrease is a consequence of digitalisation, popularity of streaming services and shifts in consumers' trends, preferences and resource allocation towards entertainment products.

One important finding was that recorded music has increasingly become a form of passive entertainment used to accompany people's daily activities. The data gathered from the music listening survey also suggests that recorded music is a somewhat substitutable entertainment product, especially when consumers just seek any type of entertainment, rather than music specifically.

Another finding was that over half of the survey respondents resort to a free service to listen to music. While this fact is not really that surprising, given that on a macro scale, Spotify, being the leading music streaming platform, has 55% of its user base a on free tier (Dredge, 2022), it does show that economic utility is a huge influencing factor on how consumers spend their income on entertainment products.

Given the option, many people will opt to consume a free product rather than a paid one, as no cost investment is required and their resources allocated elsewhere, such as in the case of Spotify's free tier. For instance, a consumer may well believe that their income is better spent and maximised on a video streaming service instead of a music streaming service like Netflix, as there are more free alternatives available to enjoy recorded music, such as YouTube and Spotify free, and music libraries offered by the different platforms are rather standardised.

Spotify's model is predicated on the fact that, free tier users can significantly enhance their platform experience if they decided to convert into paying users, as the premium subscription is free from ads and unlocks additional features. However, in this case, one may argue that Spotify's premium users are not paying the platform just to access and consume their music library, but rather, for the convenience and enhanced experience a premium subscription provides users.

On the other spectrum, from musicians' perspective, indie label, and self-releasing artists receive a bigger share of revenue from streaming platforms, compared to artists signed to major labels, who take a significant share of revenue from streaming payouts before paying the artist. But while the major-label artists may receive a smaller cut of the pie, they are more likely to get more exposure thanks to the marketing and network support of a major label, and consequentially achieve bigger success and popularity. Furthermore, the current pro-rata royalty payout clearly favours the most popular artists. As shown in chapter 4.5, streaming users' subscription money is put into a collective pool that is distributed by aggregate play counts across the platform, and then paid out to record labels based on how many plays their artists accumulated. A given user may listen to a niche, and obscure artist, but the money they spend on the streaming platform is likely going to the most popular artists.

However, despite the drawbacks for the smaller artists, streaming platforms are still overall beneficial and bring many advantages all musicians. Firstly, streaming companies revitalised the music industry, and contributed to its global growth throughout the past decade. Streaming platforms have also lowered the entry barrier for musicians, as digital technology has made it much easier for artists to upload, distribute their work, and gain exposure. Furthermore, streaming platforms have proven to be a viable solution to music piracy, which was the major plague that was causing the decline of the industry in the 2000s as shown in chapter 2.9.

Lastly, streaming platforms increases total consumption of music, leads to more variety, and facilitates the discovery of more highly music for the consumer (Datta, Knox & Bronnenberg, 2017). Hence, streaming platforms broaden consumers' attention to a wider set of artists, potentially creating and increasing demand for complementary goods such as concert tickets and merchandise.

5.2 Limitations and reliability

The main limitation of this thesis was mainly reconciling and connecting quantitative data and findings to answer the rather qualitative thesis question of "what is the value of music". The aim was to find, collect and analyse data relating to the music streaming, entertainment industry and consumer behaviour to answer the thesis question. Because the thesis question is somewhat abstract, the interpretation, views

and potential biases of the author may need to be considered when analysing the results and reading the discussion section.

The thesis is also limited in its geographic scope, as it is focused only on western consumers, trends and music markets. The survey respondents sample size is quite small in and geographically only limited to Finland, so the results may not be reflective of the population at large in the west.

Lastly, this paper only makes use of Spotify as the benchmark for music streaming platforms. This is because Spotify is the most popular music streaming platform by number of users and subscribers, hence there is more data, studies and journals available.

5.3 Further research

This thesis can act as basis for researchers, who have the interest to study more in-depth the recorded music industry in the wider entertainment ecosystem. A natural approach to further expand on this work would be to research what are the key factors that influence people's willingness to consume any given entertainment product, and how artists could leverage such influences to capture the consumer's attention to their music.

6 Conclusions

In this thesis I have examined the question of what the value of music in the streaming era is, from both artists' and consumers' point of view.

From a consumer perspective, recorded music is not valuable in a vacuum, especially when regarded as just any other entertainment product, as options are plentiful for the consumer to choose from. The value of recorded music resides in the added benefits and features streaming platforms can offer consumers. These added benefits include variety, convenience, personalisation and discovery, all of which contribute to an improved consumer experience, that would not otherwise be achievable by consuming music via other mediums, like physical and radio. The fact that the global recorded music industry is growing year on year, with streaming being the biggest contributor, is a testament to this.

On the other hand, musicians and labels are not just competing against each other for listener's time. They are competing with the wider entertainment industry for consumers' time and attention, in a landscape whereby there is a lot entertainment products and content available for consumption, some of which are for free. For instance, a free platform that has recently seen massive surge in popularity is TikTok, which is rich in short, user generated video content. The platform has proven to be an important promotional tool for artists and record labels, as increasing number of songs that trend on TikTok end up gaining mass popularity.

Based on the findings in this paper, it is possible to suggest that artists and labels need to understand, leverage, and maximise streaming platforms to their advantage, while also being aware of current popular entertainment products and platform that could be a complementary medium to recorded music.

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Appendix 1

Music listening survey questions (multiple choice)

How old are you?

- 17-26
- 27-35
- > 36

What is your occupation status?

- Student
- Working
- Unemployed
- Working & Studying

What service do you use to listen to music?

- Paid streaming service (Spotify premium, Apple Music etc.)
- Free service (Spotify free, YouTube)
- Torrent download

What's your main purpose of listening to music?

- Just to enjoy the music itself
- To concentrate
- To relax
- To accompany other activities (for example, house chores, work-out, etc.)

Appendix 1

On average, how many hours do you listen to music each day?

- 0-2 hours
- 2-3 hours
- 3-5 hours
- > 5 hours

When do you listen to music? (Choose all that applies)

- during commute/ travel/ drive
- during exercise
- while doing chores (cleaning, doing dishes ect.)
- while studying/ working
- while playing games

You listen to music as a primary activity (just listening to music and doing nothing else). Choose one that applies

- Always
- Often
- Sometimes
- Rarely
- Never

If you CANNOT listen to music, what other activity would you do?

- Play videogames
- Listen to podcast

- Watch TV series/ movies / videos
- Read books

How much do you pay monthly to listen to music? (excluding concerts tickets) *

- € 0
- € 5 – 11
- € 12 – 24
- More than € 25

Survey can be found online via this link