Did Spotify save the Music Industry

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DID SPOTIFY SAVE THE MUSIC INDUSTRY?

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Abstract

This dissertation aims to find out if the resurgence behind the music industry’s newfound success over the last decade has been purely from music streaming services. This paper focuses on the most popular music streaming service, Spotify and investigates the relationship streaming has with both artists and consumers. It aims to find out if the architecture of the business model of streaming services, such as Spotify, have created a fair playing field for unknown artists or has it emphasized the gap between mainstream and niche artists to a greater degree. Furthermore, it aims to understand the relationship consumers have built with Spotify over the last decade and if streaming has changed the connection between the audience and the art. By looking at these factors the study will understand the overall affect streaming services have had on the music industry and identify future trends within the industry.

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Chapter One: Introduction – The start of the digital age and the effect it had on the Music Industry.

Historical Outline:

Music streaming services emerged from the technological advancements and the issues the industry faced from pirating that came about at the start of the digital age. Throughout the 90's the music industry was in a relative position of strength. The main medium consumers were listening to music was Compact Discs (CD's). Figure 1 from Statista shows a growing increase in units sold of CDs throughout the 90's. At the start of 90's 200 million CD units were sold, increasing to over 800 million CD units being sold by the end of the 90's. Amy Wang states in "1999 the music industry generated $28.9 billion" (Wang, 2016), a record high for the industry. However, with the advancements in technology, the industry was about to face their first problem. The late 90's saw the birth of the MP3, which merged the technology of the internet and digital audio recording. With the growth of the internet and the growing pressure of the public's appetite to consume media quicker, it was only a matter of time before a new digital trend emerged to meet this need and replace the physical. MP3 allowed greater audio file compression and the ability to save individual digital song files allowing consumers to select songs they most desired, rather than buying a full album. Although consumers did purchase 7-inch vinyl singles, the MP3 was able to download music immediately from their computers, bringing forth the introduction of playlists and the importance of the individual track. However, this new format of listening also created a new way that music could be copied and shared without purchase, resulting in file sharing programs such as Napster, which further impacted on the industry.

Napster was created by Shawn Fanning and Sean Parker. Napster operated by linking computers and allowing users to access each other's mp3 audio files. This ability to share music digitally from consumer to consumer had a profound and significant impact on the industry. Eamonn Forde reports, “When Napster launched in 1999, 150,00 people had signed up, by 2001 Napster peaked at a verified 26.4m users, with some estimates topping 80 million” (Forde, 2019). Napster used peer to peer file sharing and had access to over 4 million songs. Many of the top artists in the industry resented Napster. Dr Dre was one of the most outspoken artists against Napster and attempted to get the platform shut down numerous times. “If it turns out that there are people who have huge hard drives and actually are downloading copyrighted materials and transmitting (them) on the Internet, we may very well go after them because they are engaged in theft” (Dr Dre cited Kane, 2000).

The 20th century music industry model, operated on the idea of selling physical recordings of music—records, audiotapes, or CDs, live performances were a secondary source of income. At the time, CD album sales were at their absolute peak in the US. Mark J Perry states, “recorded music sales peaked in 1999 at nearly $21 billion. By that time audio CDs dominated recorded music sales and represented more than 88% of industry revenues. However, in 2000 alone, total recording sales decreased by 33%” (Perry, 2016). Tim Ingham from Music Business worldwide reports “2001 the industry generated £2.11 billion” (Ingham, 2018). In 2001, Napster was shut down by the Recording Industry Association of America in a lawsuit. However, the negative impact Napster had on the industry meant for streaming to accelerate. Napster had done the groundwork for platforms such as Spotify to exist. It can be seen, if it were not for this villain of the music industry, the way we listen to music could be quite different. Tom Barnes, a journalist for MIC writes, “Napster forced the music industry to develop digital distributions and streaming technology, which it could have done far earlier. Had the industry developed the technology instead of attempting to suppress it, artists may not have had to shoulder the massive economic fallout that they have” (Barnes, 2015). Barnes suggests that it was inevitable that a platform like Napster would emerge from the internet and if the music industry had developed the technology themselves then artists would not have faced the financial difficulties they did.

With Napster consigned to history, Apple saw a gap in the market and developed iTunes in 2001. iTunes was branded as a way to rip music from your CDs and store them all in one central location. Nathan Jolly writes, "Rip. Mix. Burn was the instructive slogan for iTunes in the early days, and they didn't seem to care just what you were ripping, or who you were ripping it from" (Jolly, 2019). However, in 2003 the 'iTunes store' launched, and arguably devalued music further. Some argue that, although Napster holds the popular narrative, that they brought the music industry to its knees, it is actually the development of the iTunes Store that is the real villain. Ever since the birth of the music industry, there is a discourse surrounding major labels that have the reputation of corporate suits that think only about the money and take advantage of the workers. This is a harsh viewpoint but at their most cynical, they act as banks, advancing credit in exchange for interest. iTunes was and is different as they trade in the sale of music files, the music contained does not matter, as long as they have the majority available in order to be the prominent store. The record labels are promoting the product, Apple just makes it available. iTunes identified a dire situation with the threat of piracy and provided a solution. As the music industry was busy with those stealing music, they did not accept the change in consumer behaviour and technology and the consequence for this was a program that left the industry in an even worse position. iTunes fuelled the change in consumer behaviour introduced by the MP3 player where audiences were now set into mainly buying singles and not a full album, with a full album costing $10 and an individual song costing 99cents. Figure 2 and 3 show that although units were high under iTunes, sales were extremely low. The sale of 99 cents individual songs was in a surge, though this had a drastic effect on overall music revenue. However, through iTunes model and faults resulted in a demand for an alternative and this is where the rise of streaming began.

Spotify reshaping the Industry.

In 2006 Daniel Ek and Martin Lorentson developed a platform called Spotify. Spotify launched in 2008 and offered music fans a free streaming service with advertising, with the option to upgrade to the £10 a month deal which is ad free. Andrew Nusca claims Spotify only recently have become profit making, “with the company being estimated to be worth $21 billion” (Nusca, 2019). The model Spotify operates under is called Freemium. Patrik Wikstrom writes, “The logic behind a freemium service model is that users shall be willing to use the service for free and whilst using the service gradually make behavioural and emotional investments in the service that costs money” (Wikstrom, 2013, p 435). With their estimated to be 144 million premium users, it is indicated Spotify’s consumers are more than happy paying for the service. The largest demographic to use Spotify are 18 – 29-year-olds (Statista, 2017). Kusek and Leonhard predicted in 2005, “digital music has become the new radio for the internet generation. Digital technologies have been totally and unobtrusively integrated into the lifestyle of teens and young adults” (Kusek & Leonhard, 2005). Now in 2021 Spotify has arguably entirely replaced radio and substituted it for a new way of listening to music.

To provide the product they wanted for consumers, Spotify had to acquire the big four labels, EMI, Sony, Universal, and Warner Music. Stephen Dubner from Freakonomics interviewed Daniel EK (Founder of Spotify). It is reported that 70 percent of streaming revenue goes to the big record labels – Sony, Universal and Warner. A further 4 – 6 percent of Spotify’s shares were given to the labels (Ek cited Dubner, 2019). This suggests that the labels are getting 70% of Spotify’s revenue to pay to their artists. These labels agreed to give their complete catalogue to Spotify in return for being Spotify's biggest shareholders, receiving one fifth of Spotify's profits. Without these record labels Daniel EK's company would not have survived, fortunately Spotify needed these labels just as much as the labels needed a new platform, to distribute their artists work in a declining industry. The reason for Spotify's popularity today was the focus of reaching product market first before any other company in the streaming market. In a blog post from Daniel EK in 2007, he announced the licensing agreements with the majors and the official launch of Spotify in the same blog post. This was no coincidence and shows how pivotal this initial agreement between Spotify and the Big Four labels was. The record labels had little to lose by backing Daniel EK's idea. Sales and revenue were continuing to fall and record labels needed a new medium to boost their catalogue again.

Since the introduction of Spotify in 2008 and other streaming services, such as Apple Music and Amazon Music, income for artists has drastically changed. Before the digital age artists were making the majority of their money through physical sales. In this new industry music sales are a secondary income for artists, they predominantly make their money through live shows and tours. This is an area where Spotify has been criticised for their business model. Figure 4 was taken from Songtrust. Spotify pay artists low rates, $0.0038 cents per stream. This indicates why artists are so dependent on live shows to fund themselves. Patrik Wikstrom argues, "rather than paying a fixed amount per track that is listened to, they should simply share whatever revenues are generated with the right holders" (Wikstrom, 2013, 437). Furthermore, streaming has brought the re shaping of ownership of music. Seth A. Carver writes, "Music ownership has also shifted as these new methods offer consumers an alternative to direct purchasing and lower the cost of consuming music" (Carver, 2016).

It is argued that Spotify has become as influential as the vinyl, cassette, and CD. Amanda Petrusich writes, "Just as the advent of the commercial recording industry (and, later, the evolution of analogue recording formats, from wax cylinders to 78-r.p.m. disks and long-playing vinyl records) changed the way musicians write and produce songs, so, too, has streaming" (Petrusich, 2018). In 2019 the industry was worth £5 billion with live music bringing in £1 billion. Compare this to the height of the industry back in 1999 where the industry's value was $28.9 billion. Although this is a huge difference, there is growth of the industry when comparing figures of 2019 to 2001, where the industry was worth £2.11 billion. It can be seen that streaming has generated an increase in the value to the music industry and have brought the industry out of the decline it found itself in from the threat of piracy.

Synopsis:

Chapter two will investigate the way artists generate income and how Spotify has affected this. It will compare the mainstream to independent artists income and how streams are calculated. This follows discussing Spotify's dominance and what this has meant for the industry. This chapter will conclude with two interviews. One being with the artist Camdyn and the other being with Drew Richards, the guitarist from the band Die So Fluid. Here both artists discuss their journey through streaming services. Chapter Three examines Spotify's business model and the algorithms which effect consumers listening habits. This chapter explores the new ventures the company have taken. This follows with the chapter delving into the concept of exclusivity and how potential music streaming services could operate such as TV streaming sites in the near future. The dissertation concludes answering the main question 'Did Spotify save the music industry?' The chapter reinforces Spotify's main criticism of distribution of income. It ends by looking into the future of the music industry as whole.

Chapter Two: Spotify's impact on artists and income

When Spotify launched in 2008 the utopian model it sold itself on was, for it to defeat music piracy and ensure artists got paid for their music. Spotify, in part, may have achieved this objective, reducing privacy. Spotify's vision statement reads, "We envision a cultural platform where professional creators can break free of their medium's constraints and where everyone can enjoy an immersive artistic experience that enables us to empathize with each other and to feel part of a greater whole". It quickly emerged that, in terms of artists receiving payment for their music, what they were willing to pay was a thousandth of a penny for each stream. With the music industry seeing its fifth consecutive year of growth up to 2019, streaming sites are now being questioned should they pay out more to artists? Musicians are fearful that the pay-out per stream from the likes of Spotify are not enough in the current COVID-19 climate. One therefore could argue that Spotify's model is not ideal in providing income for artists and other opportunities are required to generate greater revenue.

The Mainstream vs Independent under streaming.

In 2015, Universal Music Group, the global leader in the music industry, posted revenues of more than $5bn, approximately $1bn of which came from streaming. Sam Wolfson reports that in 2018 "streaming music revenues had surpassed income from the sale of traditional formats for the first-time last year" (Wolfson, 2018). Wolfson suggests that over the last few years the industry is going through its most drastic change since Napster. He implies this change has come in terms of a shift in power of income. Sahil Varma works for A&R, a London based independent label and states. "Five years ago, the kinds of artists we work with wouldn't see a penny until their album came out – and even then, the album would have to do really well to make any money back. Now, you're making money from day one" (Varma cited Wolfson). Figure 4 reports that Spotify pay $0.0038 per stream, Amazon Music pay

$0.0074 per stream and Apple Music pay $0.00783 per stream. Rolling Stone reported that artists and labels with greater weight in the industry are getting higher rates. However, Tim Dellow, at the indie label Transgressive, states that they are "on a par" with the majors. What continues to be true is the biggest artists will have more favourable deals with their labels, allowing them to see a bigger percentage of royalties, just as in the CD era.

The pay-out per stream these streaming companies provide are tiny amounts of money, especially compared with CD sales. A CD costs on average £12. To make the equivalent through streaming, it would mean your album had to be streamed 1,500 times. Originally, artists revolted against putting their work on streaming sites. For example, in 2014 Taylor Swift decided to withhold her releases from streaming platforms. At the time fans were unsure whether this would be temporary or indefinite; however, it was not until 2017 when she decided to put her music back on Spotify. Smaller artists who signed for big labels do not have the freedom to choose where to distribute their music. Nevertheless, over time, it has become clear that the fraction of a penny you receive from a stream cannot be seen in the same context as the royalty on a CD sale. The money an artist made from a physical album was a one-off payment; this revenue frequently dried up. The income an artist receives through streaming is continuous. The pay-out per stream Spotify offer has caused a shift in the primary way musicians now make their income in the streaming market.

Mark Mulligan states, "the main sources of revenue for artists during the digital era were live concerts, associated sponsorship, and merchandise sales. Whereas from 2000 to 2013 music sales declined, all three of the previously mentioned artist revenue streams grew. Music sales accounted for 31% of total income in 2000, by 2013 its contribution had fallen to 20%, while live performances grew from 39% to 45%, merchandise from 4% to 9% and publishing from 26% to 28%" (Mulligan, 2015). This suggests a change of what determines success for an artist. In the last few years streaming pay outs have increased slightly, however it is still not enough for artists to support a living. This has meant for the bulk of artist income coming from live shows and tours. U2, made $54.4 million and was the highest-paid musical act in 2017. Of their total earnings, 95%, ($52 million), came from touring, while less than 4% came from streaming and album sales (Delfino, 2018). This emphasises the prime way musicians make money.

In 2018 Canadian rapper Drake was Spotify's most streamed artist. Aisha Hassan writes, "Scorpion had as many as 10 million streams per hour shortly after its release this summer. Drake is officially Spotify's most-streamed artist of all time" (Hassan, 2018). Up until 2018 Drake was signed to Cash Money Records. However, after he released *Scorpion*, he decided not to make music under the label and to be an independent artist. However, Drake still releases music under Universal Music Group, the parent company to Cash Money Records. Raman Mama argues that, no matter how big of an artist you are, if you are signed to a label, you only see a portion of the money that comes from your record sales and streams. Mama Writes, "In most cases, that number is between 10% and 20% for record sales (or streams), and around 60% for touring and merchandise" (Mama, 2020). Figure 5 gives an accurate figure of the earnings Drake has made from streaming his music on Spotify, from his first album release in 2009 to date. Drake's dominance sheds light on how disproportionately the streaming model awards artists. Spotify pays $0.0038 per stream, and the royalties must be split among the label, writers, producers, performers. Hassan writes, "Since the top 10% of artists, like Drake, dominate 99% of streams, it means that the remaining 90% are left with little" (Hassan, 2018).

Moreover, how successful have indie artists been under the streaming model? Thomas Honeyman sees the effect of streaming in two ways for independent artists. Honeyman states, "if most of your income is from music sales then putting your music on a streaming service is probably a bad idea. On the other hand, if most of your income comes from other sources, like live performance, then streaming may still be worth it for the access to listeners" (Honeyman, 2015). Honeyman suggests, if you are an indie artist and still making the bulk of your income from physical music sales then releasing your music on Spotify will be damaging. However, if you make most of your money from live shows which is the majority of independent artists, then releasing your music on Spotify is going to benefit you as streaming sites have helped artist establish a bigger listenership. This makes for a larger audience at live shows resulting in increased financial gains for the artist. Nevertheless, what are the length independent artists are willing to go to build up a wider listenership through Spotify?

Jvanz is a 20-year-old aspiring artist. Jvanz used a marketing company that promised to reach out to a network of independent playlists with dedicated followings on Spotify and make sure they added Jvanz's songs to their collection. This was for a fee of $2,000 (Leight, 2020). The company predicted they would get Jvanz 100,000 streams on two of his songs. However, the company did better than they predicted earning Jvanz thousands more streams than expected on one track. Jvanz states "I would recommend it for artists who are independent like myself, we need to get our music seen and heard by as many people as possible" (Jvanz cited Leight, 2020). An ecosystem has emerged to help aspiring artists in the struggle for growth. New artists without a following go to marketing and distribution companies, platforms such as SubmitHub and Playlist Push, hoping to gain listeners and ideally, get noticed, advancing in the industry by a record label. However, this is all for a price, drawing upon the concern that unknown artists feel forced to pay marketing companies to try and create growth and either compete with artists on labels or became noticed enough to be signed.

<u>The growth of Spotify's dominance and what this means for the industry.</u>

Recently the continuous growth of Spotify has caused concern from artists. Streaming has been accepted in recent years to be a promotional tool for helping artists make money through touring, however, due to Covid 19, live shows have been non-existent. This is extremely worrying for artists as the bulk of their income comes from live shows. Gwyn Topham states," Streaming accounted for more than 80% of overall music consumption in the UK last year, when people listened to 139bn audio streams, up from 114bn in 2019" (Topham, 2021). With live shows gone over the last year it has only just emphasised the importance of them to an artist's income. More than ever consumers are streaming music and artists are still not seeing the returns from these to make a living purely through streaming sites.

In December 2020, the committee of Digital, Culture, Media and Sport (DCMS) have been investigating the economics of streaming services. It has come to light that witnesses are reluctant to speak to the committee because they fear action may be taken against them if they speak publicly. Musician, Nadine Shah, told the committee, "Speaking on behalf of many of my friends, my fellow musicians, so many of them are scared to speak out because, myself included, we do not want to lose favour with the streaming platforms, and we do not want to lose favour with the major labels" (Shah cited Hern, 2020). Artists feel there is only one way to sell their music now and that way controls everything to do with an artist's life. These range from remuneration from the recorded works, exposure to new audiences and continuing relevance. These are not minor aspects for an artist. Platforms such as Spotify disturbingly hold a huge amount of power over artists with the control to approve or reject promotion through involvement in playlists, on homepages and on algorithmic radios proving vital in the success of up-and-coming artists.

It is understandable that artists are worried about Spotify's growth and the threat of one company monopolising the market, however in recent years Spotify's growths have been slowing down at a fast rate. Figure 6 shows how Spotify's premium users are decreasing. David Trainer reports "Premium subscribers generated 93% of Spotify's revenue in 2Q20. The year-over-year growth rate in premium subscribers has fallen sharply from 73% in 1Q17 to just 28% in 2Q20" (Trainer, 2020). As well as numbers of premium users decreasing so is Spotify's revenue. "Spotify's average revenue per premium user has steadily declined from 5.32 in 2017 to just 4.41 in 2020" (Trainer, 2020). To counter this slow decrease in Spotify's growth of users and revenue, a push for exclusive content has been made from the company with obtaining licensing for podcast from the likes of DC Comics, Kim Kardashian, and the Obamas. However, although Podcasts are a relatively new medium for Spotify, Jon Porter states, "79% of monthly active users (MAUs) that do not listen to podcasts" (Porter, 2020). Considering recent events, will this decline impact on Spotify's future?

Unlike Spotify's rivals it relies on the financial appeal of the music it distributes. Amazon Music, Apple Music and YouTube Music derive revenue from other sectors of their business. With these companies gaining income in other areas of their business, can Spotify ultimately compete in the future? According to Spotify's financial report from July 2019, the company took a €228 million pre-tax loss. Some believe that Spotify will never grow to the demand the wall street backer's demand. This has led to predictions of another company potentially buying out Spotify. Tim Ingham states, "there are a couple of early warning signs in this regard. For example, in the first half of this year, Spotify added just 12 million subscribers globally, despite launching in India in February, where its potential addressable audience stands at 1.3 billion. It also launched in the Middle East and North Africa (MENA) last November, where around 380 million people are currently resisting its charms" (Ingham, 2019). Due to the delayed growth in these countries, it is believed Spotify could potentially be owned by a larger company. This is comparable with the music streaming company Pandora who were bought by satellite radio behemoth SiriusXM in a $3.5 billion deal.

Interview with artists.

To understand how artists feel about streaming and in particular Spotify, two interviews were held for this dissertation. Camdyn is a 21-year-old rapper from London. He uses aspects of RnB and afrobeat. Camdyn felt sharing his music on streaming services would result in a bigger listenership. “This is because sharing my music digitally as opposed to selling physical copies allows me to utilise social media such as Instagram to reach people from all over the world and introduce them to my music”. Spotify’s and Instagram’s algorithm go hand in hand. Musician Gabe Goodman states, “When you're saving and sharing, it demonstrates a different relationship with the value of that content, because it gestures towards something you’d want to revisit or send to people you care about” (Goodman cited Terry, 2020). By an artist sharing their work on social media, or a fan sharing their work, the algorithms for social media sites see this as human connection meaning you are more likely to see this come up on your feed, meaning your likely to listen to an artist’s music, generating a higher stream count for them.

Just like many new, independent artists Camdyn believes, in order to be a success, getting yourself on a playlist is essential. “If you want to be discovered and for your streaming numbers to go up being on a playlist is pretty much vital. As this allows you to reach thousands and upwards of listeners who like your style of music. You do find these listeners on Instagram but at a much slower rate and for example just because this potential listener likes rap, they may not like your style of rap. Also being on a playlist on Spotify is marketing that is not cross platform, it takes place all on Spotify where your music is”. According to marketing company MN2S, “being included on Spotify-sponsored playlists can generate an increase in plays of 50-100%, with a 20% lasting increase following the initial rise" (2019). This shows that being on the right playlist that suits your music can vastly improve your streaming numbers. Camdyn also touched on the thought of being under a label. "Artists can now be successful without the use of a label. Me personally however, if I were to start getting that much notice, I would prefer working in a label due to the security and having a whole team around you who's focus is your music career essentially". The success of rap artists such as Skepta, Wiley and Giggs have led a resurgence of rap artists to be successful in the UK not under a label. Although Camdyn would like the idea of being under a label in the future, many artists do not feel the pressure to be a success, and this is due to the impact of streaming.

Drew Richards is the guitarist for the band Die So Fluid. Die So Fluid formed in 2000 and are a blend of metal, post punk and heavy rock. Drew feels the shift from physical to digital to streaming has had a positive effect on the band. "This has been a positive change in how we operate because the band is near the end of its career. We own outright all our material and is permanently available for streaming revenue with zero manufacturing cost". With the band owning all their material and with no manufacturing costs makes for the profit going directly to the band. Drew expresses that Spotify has had the effect of a surge for the band. "Because of where we are in the lifetime of the band Spotify and other streaming services have been a boon. We no longer tour so our only engagement is to release a new song every six months. That generates streams for the whole catalogue and keeps the band alive and we get a trickle of royalties throughout the year".

Even though Spotify has caused a boom for Die So Fluid, Drew feels streaming cannot support an independent artist. "I don't think one streaming platform on its own could sustain an independent artist at the current royalty rate. You have to have multiple platforms, physical sales, merch, and most importantly live fees. The ultimate sale for any musician now is sync of a track in a movie or advert". Drew suggests that streaming should not be the only source of income artists are relying on. Artists have multi access to different platforms of income coming from digital, physical, merch and live shows. Furthermore, Drew talks of the effect Spotify has had on gaining a wider listenership. "People have discovered us through streaming services and become 'customers' that have paid for our other 'products'. It's not exploded for us though because we've never managed to get on the biggest playlists. That's what could really make a difference to an artist". Overall, Drew's viewpoint on streaming is that it has caused a positive shift in the industry and his band. The band are completely independent, and almost dormant at the moment, and yet still earn from streaming and have their music available for discovery worldwide. Drew states, "I started making records in 1985 so to be able to create music at home, with other musicians recording their own parts in Los Angeles and Bologna, and then to release that music worldwide on the same platforms as major labels with a quick upload from my own home is like a miracle. I am glad that there is now increased competition of streaming services which will increase the royalty rate but ultimately, I know we have to produce more music with greater frequency to make money from streaming. Because we own all our work, I feel incentivised to doing that".

Although Drew and Camdyn are at opposite ends of their musical career, they share similar viewpoints on streaming. For example, they both value the importance of getting on a playlist. Luis Aguiar states, "Spotify itself maintains both curated and chart-based algorithmic general playlists, as well as playlists that are customized to each user" (Aguiar, 2018). Aguiar's study looks at the effect of playlists of streams for artists. Getting on Today's Top Hits is worth 20 million additional streams. This translates to $116,000 from Spotify alone. Playlists affect the success of new artists. the New Music Friday playlist in the U.S. is worth roughly 14 million streams ($84,000-$117,000) (Aguiar, 2018). The playlists mentioned are some of the most popular on Spotify, and this study shows the impact playlists can have on streams and income for artists.

Chapter Three – How Spotify Operate

Algorithms, Big Data and Podcasting

It is argued that the algorithms Spotify operate under are ruining the way consumers listen to music. Hit, mainstream music has become less risky. Michael Hann writes, "to qualify as having been listened to on Spotify, a song has to have been played for 30 seconds. Fair enough, right? Except that means hit songs have become increasingly predictable, offering up all their pleasures in the opening half-minute. Their makers dare not risk scaring off listeners" (Hann, 2019). This has resulted in some albums to be full of shorter songs producing less progressive music in the mainstream. Furthermore, Hann suggests Spotify stop their consumers from widening their music taste. "Spotify actually makes people into more conservative listeners, a process aided by its algorithms, which steer you towards music similar to your most frequent listening" (Hann, 2019). Hann's viewpoint can be backed up by Spotify's discover weekly or releases radar which Spotify supply to all their consumers. These playlists include songs which the individual consumer will like through what they listen to. Hann would argue that Spotify keep their consumers in a filter bubble of music they know they will enjoy. There are similar algorithms on social media platforms where users see posts on their feed the platform will know they will like. I disagree with Hann's argument that, although Spotify will suggest music to the consumer, they judge they will like, personally through the sheer amount of music on the platform it is hard to be recommended one genre of music. With personal playlists ranging from indie, hip hop, Jazz, Afrobeat, Underground dance and classical I consider from my individual experience; Spotify offer a diverse range of music, far from the concept of being in a filter bubble of the same music. Bart J. Bronnenberg states in his paper, '*Changing Their Tune: How Consumers' Adoption of*

Online Streaming Affects Music Consumption and Discovery', "the thing with CDs and iTunes is that when you brought a title, more variety would cost you more money. With streaming, that is not the case. Once you buy a subscription, the incremental variety to you is free" (Bronnenberg, 2018). The results of the study point to a more fragmented market, potentially more amenable to smaller artists and labels. While it may seem intuitive that subscribers rid of economic limits on spending on individual music, would consume more, as these consumers are under a subscription model meaning they can consume as much as they want for a fixed price. The sheer enormity of the change was surprising. In the first week, the number of songs played by new converts to streaming increased by 132%, while the number of unique artists heard jumped by 62%. This indicates even with the algorithms Spotify use; it does not limit consumers broadening their music taste and appreciation.

In 2019 Spotify turned its attention to podcasting. Arguably the biggest deal made since the big four record labels, Spotify announced in May 2020 that the hugely popular podcast, The Joe Rogan Experience, would become a Spotify exclusive. Spotify's podcast report stated 700,00 podcasts are available on the platform (2020). Ashley Carman states, "There's never been a single podcasting company that sells ads, makes shows, has an already-popular podcast player, and offers the tools to make new series. Spotify now has all of that, and the Rogan deal means it also offers a hit show that guarantees millions of people will regularly use its platform for podcast listening" (Carman, 2020). Spotify have spent $400 million for the three podcasting companies combined including Gimlet Media, Parcast and Anchor (Carma, 2020). Furthermore, unlike their streaming model, when a consumer streams a song Spotify have recompense the artist, for podcasts Spotify does not have to pay a third party. With exclusive deals and its own programming, Spotify financially benefits from each listen because of the advertisements it places. Even premium users hear ads in Spotify podcasts. Spotify now control the largest platform in the music industry and now succeeding Apple, the previous largest name in the podcasting sector. What does this mean in terms of competition to Spotify?

Up until now, Apple was the biggest podcast name, it is now fighting a hard battle to compete with Spotify. Carman states, “Apple have left Podcasts alone, letting listeners freely come and go and allowing creators to upload their RSS feeds, without Apple trying to take a stake in them” (Carman, 2020). Apple do not make their own content for podcasts and do not provide adverts; this makes for greater opportunity for Spotify to exploit. If Apple wanted to compete it would need the license of some huge podcasts. This means not one single company on their own can compete with Spotify. However, is this notion of having exclusive content on one’s site, the new direction these companies are heading?

Will Music streaming operate like TV streaming?

Similarly, to music streaming channels, TV streaming companies have had great success in the last decade. The creation of new TV streaming sites has resulted in increasing competition between these sites. However, in recent years traditional TV networks are taking their own products off central repositories such as Netflix and Hulu and producing their own streaming services. This has resulted in consumers subscribing to more streaming platforms and paying for further content. For example, shows such as Friends is on Netflix, but AT&T will soon make all of its own content, like Friends, exclusive to its forthcoming new streaming platform. Disney, similarly, has pulled its content off Netflix and Hulu to ensure that all its content is on its exclusive Disney+ streaming service that came out in March 2020. Is this the inevitable future for music streaming platforms?

One of the arguments against traditional TV networks supplying their own content on their streaming services, is that it increases piracy. It is considered that consumers will be unhappy to spend £10 - £15 a month on several different streaming services. A report by

DSLR suggests that nearly every broadcaster will have their own streaming service by 2022. This could have the effect of more consumers turning to piracy to watch their favourite shows. If music streaming platforms were to operate in this manner, where exclusive artists and albums would belong to one site, then consumers could return to pirating music, one of the concerns Spotify wanted to remove from the industry back when it launched. Brian Feldman states, “Piracy declined because the legal options for consuming media became easier than the illegal options. Now the legal options for media consumption are once again becoming overly burdensome in both a financial and logistical sense” (Feldman, 2019).

Jason Koebler argues that music streaming exclusivity would operate differently to how TV streaming exclusivity is used. Koebler states, “Music streaming exclusivity is inherently different than video streaming exclusivity. You don't watch 40 three-minute videos in a row, you don't make playlists of video, you don't watch video over and over and over again. We consume music in an entirely different way than we consume video” (Koebler, 2016). Music exclusivity has not found success due to the manner in which consumers utilise music. In 2016 Beyonce released her album *Lemonade* exclusively on Tidal. Koebler argues that music exclusively makes for the process of consuming to complicated. “In the last 48 hours, there have been roughly 1,000 articles written about where, specifically, you can listen to Beyonce's Lemonade and about when it might be available on Spotify or Apple Music. Lemonade can be purchased for $17.99 on most music selling sites and you can stream it on Tidal, with Tidal's exclusivity lasting "in perpetuity." You can also watch the Lemonade video special on HBO” (Koebler, 2016). When deciding between music exclusively, artists think of maximising revenue or audience. Tim Ingham reports that the first five days of Beyonce’s Lemonade made $1.26m on Tidal. Furthermore, Beyonce is a shareholder in the company, with her husband Jay- Z owning it. However widely distributed releases make sense for artists with massive fanbases and promotional support across streaming services. It can be viewed that music exclusivity is a selfish way for artists to disrupt their art. This is due to the marketing strategy the artist wants to get their work out. In Beyonce's case it was purely done to get more consumers to sign up with Tidal. However, the artists are only disadvantaging themselves as it stops artists from reaching their maximum potential income as they are not distributing it to their maximum audience number.

Chapter Four: Conclusion

Did Spotify save the Music industry?

Although this may be a simple question the answer is not binary. With the precarious position the industry was in at the start of the digital age to where it is now, in relative health, is primarily due to the success of streaming services which are dominated by the likes of Spotify. Although streaming transformed the industry the idea it was built on and still operates today, is legalising piracy for a fee. From a consumer's perspective what Spotify and streaming sites offer is ideal. These services have changed the way consumers listen, experience, and invest themselves with music. One of these ways is that consumers do not own any of the music they stream and listen to on their playlists. Consumers have never listened to as much music as they do in the streaming age, but they do not own any of the music. Ailey Butler states, "Streaming has helped people listen to more music than ever before, it is now easier for smaller and DIY artists to get their music heard, and it has largely eliminated music piracy" (Butler, 2019). These reasons point to how Spotify has saved the music industry from the threat of piracy and made for a better listening experience. The ease of streaming has caused for more unique and unknown artists and songs to be listened to. Music journalist Kendall Deflin states "because of the ease that streaming services provide, over 28 million unique songs were played, compared to the seven million songs that were purchased" (Deflin cited Butler, 2019). In Buzz Angle Music yearly report for music consumption, they stated that from 2014 – 2019 music streams have risen 61% (2019). However, with this much consumption there are questions about the equitable transfer of payment to artists, who are struggling to see the profits.

Spotify's main criticism

The main criticism Spotify has received is the amount of money they pay artists per stream. The way the model works is that it encourages diversity between the mainstream and the niche. Spotify pays out its royalties on a pro-rata basis. Tim Ingham explains this by, "at the end of each accounting period, all of its royalty money gets virtually dumped into one pot, from which artists are paid according to their share of all streams on the platform" (Ingham, 2020). This implies that if there are a bunch of artists getting 90% of streams across the platform, they are receiving 90% of the money. According to Spotify's Q2 report in 2020 the company made $2.05 billion by the end of June. Ingham assumes that 52% of this money is being paid to labels and distributors. He calculates this figure is $1.07 billion. 43,000 artists are generating 90% of the royalties, that means those people are getting $963 million of the $1.07 billion. As a mean average, that is $22,395 per artist, per quarter. A salary of $90,000 a year just through streams alone is a lot of money. However, what does this mean for the artists not included in the 43,000? Spotify had over 3 million creators as of 2018. This suggests that 98.6% of the world's artists (2,957,000 separate performers) are currently operating outside of Spotify's top tier. According to Ingham's estimates in Q2, 10% amounted to $107 million in royalties. Divided amongst those 2.96 million artists, this means the average non- "top tier" Spotify artist earned just over $36 in the quarter. Of course, all artists are not expected to make the same amount of money especially those with millions of monthly listeners compared to those in the hundreds, however a fairer system is needed for artists to survive which has been further highlighted due to the Covid 19 pandemic.

Recently Soundcloud have devised a new pay per stream model for indie artists on their platform. The company are paying indie artists a share of their actual listeners' subscription fees. Soundcloud are labelling this as 'fan-powered royalties. Ashley Carman explains this new model stating, "a SoundCloud subscriber's subscription fee or advertising revenue will be divvied up among the artists they actually listen to, rather than going to a big pot and being split up among the platform's most popular artists" (Carman, 2021). This has the potential to have major change on the industry. The way artists make their money from streaming is a very current and live ongoing debate. The way indie artists receive their money from the likes of Spotify currently is that, although they might have a loyal following, they do not end up making much money because they represent a small streaming number compared to bigger artists who take most of the royalties. Soundcloud claims that a musician who has 124,000 followers under the old model would made $120 a month, but with fan-powered royalties, he makes $600. This currently is an experimental business model. If it succeeds artists could have the power to put pressure on the bigger streaming sites such as Spotify, Amazon and Apple to adapt their model to Soundcloud's. This has the potential to be the next big change in the industry. However, there are concerns with the model. For one, not every artist on SoundCloud will get fan-powered royalties. Instead, only those enrolled in three specific monetization programs will: SoundCloud Premier, Repost, and Repost Select. Drew Schwartz states, "there are about 100,000 musicians in those three programs combined. That represents roughly 20 percent of all the musicians on SoundCloud" (Schwartz, 2021). These new royalties will not apply to everyone on SoundCloud and will apply for a fifth of artists. If the model fails, then it could give the big streaming sites evidence why their model works and could lead to further detriment of indie artists musical careers.

Although the pay per streams the likes of Spotify provide can be seen as unfair, it is argued that streaming goes hand in hand with boosting audience numbers at live shows. The bulk of artists income comes from live shows. With Spotify's consumers numbers, an artist has a higher chance of larger levels at concerts meaning greater income for them. Dmitry Pastukhov states, "streaming revenue is expected to grow to $23 billion by 2022, by that same year the live music industry is projected to reach a whopping $31 billion in global value" (Pastukhov, 2019). This indicates that as streaming grows it has the knock-on effect with live music expanding. Furthermore, when viewing an artist's catalogue on Spotify a user can see when their live shows are on and will take them straight to the site where they can purchase tickets. These accessibilities that Spotify offer make it easier for consumers to see their favourite artists. However, as discussed in chapter two, the length unknown artists are making to gain a bigger listenership is costing them money. This money is being spent on distribution companies that will try and get an artist's song on a playlist in order to get higher streams.

The Future of the Music Industry

It is acknowledged through this paper that streaming services have benefited the music industry during a time of significant change, there are however concerns with the equity and distribution of benefits through the models that streaming companies adopt. This begs the question, what will the industry look like in the future? With the industry starting to make profits over the last few years (Figure 7) some have predicted the industry's worth to double in the near future. In Goldman Sachs Music in the Air Insights, they predict that live music to be worth $38 billion, the recorded industry to be worth $80 billion and publishing to be worth $12.5 billion all by 2030. The report states that what will be behind the surge of this boost in revenue will be millennials and generation Z spending more of their annual budgets on music than any other age demographic. Furthermore, the report from Goldman Sachs predicts that streaming will bring new records for revenue for the industry. They foresee that by 2026 streaming will have reached the same revenue record the industry was at in the late 90's of around $20 billion. However, by 2030 they predict streaming will overtake this and contribute $35 billion to the industry (Figure 8).

However, this is just a prediction. 76% of streaming consumers consider access to millions of tracks very or fairly important. Streaming sites could lose the appeal from these consumers if their prices go up for a subscription. This would be due to artists and labels pressurising streaming service to limit their fee offers or if platforms decide to charge more for a premium subscription in order for artists to make more money. Furthermore, if streaming sites bypass labels to sign deals with artists directly then labels could start pulling their catalogue of these services. This could have the impact of increased piracy. In addition, as technology continues to develop, greater personalization will occur. Combined machine learning with human curation, data-driven playlists will become smarter over time, resulting in fine-tuned personalization at an astonishing level. The potential enhancements to recommendations and social discovery in conjunction with more sophisticated algorithms will be a major focus for streaming platforms and the industry at large in the future.

However, technical developments will not just happen in the streaming world, some believe there to be a second digital wave for live shows caused by Covid. The first digital wave came from the change from physical to download to streaming. Carlotta de Ninni, CEO at The Creative Passport states, “New technologies, from 5G to VR and the intersection between gaming and live performances, are really fuelling new opportunities and creating new business models for virtual concerts and experiences. What we must ensure is that these new business models and revenue streams will be fair and remunerative not only for industry players, but also and especially for the music makers themselves” (Ninni, 2020). The opportunity has arisen for technological advances to happen for live shows and with the uncertainty of when live performances will happen again this has the potential of making live streams of live gigs a more common occurrence. However, during the pandemic how successful have live streamed concerts been? David Hesmondhalgh states in ‘Why music matters?’ “music is a very intense and emotional experience linked to the personal self”

(Hesmondhalgh, 2013). Where live venues around the world have been shut down and emotions cannot be expressed on stage nor in the audience, online platforms open a space where artists and music lovers can meet and support each other. The live stream concerts have had the effect of providing the rare opportunity to share an intimate experience with artists stuck at home or in the comfortable environment of a recording studio. Grégoire Bienvenu states in his paper, *'Is Livestream the Post Covid 19 Future for Live Music*', "In the past months in Vancouver and without leaving my sofa, I've been attending concerts from Chengdu (China), New Brunswick (Canada), Los Angeles (USA) and Brittany (France)" (Bienvenu, 2020). The feature of having a chat allows for people in the audience to share messages with each other and cope with their social isolation. While live venues remain closed in most of the countries, some limits of livestreamed events also force us to relativise its role in the post-Covid-19 era. Economically, livestreaming is far away from covering the losses of the experienced by the living spectacle in the past year. Furthermore, by having live streamed gigs it makes the audience miss what they experience at physical gigs even more.

To summarise, streaming and specifically Spotify have transformed the music industry and almost eliminated the threats from Piracy, with consumer subscription now being the norm for most people to access music content. There are faults with Spotify and other streaming services models in terms of the equity of how artists are remunerated for their work, however, this has been offset to some degree by increasing audience through large platforms enabling a wider listenership which ultimately increases larger audiences at live shows, where artists now make the bulk of their income. Change is possible to happen with SoundCloud, reshaping its model to meet this issue. The industry is in an exciting place, with the buzz of live shows retuning after the Covid pandemic and streaming services expected to continue to grow, it is now projected for the industry to go into a new golden age over the next decade. From where the industry was positioned at the start of the digital age to now and a potential of greater profits means streaming has been a success and Spotify has been key in this achievement.

Appendix

Figure 1: • Chart: The Rise and Fall of the Compact Disc | Statista

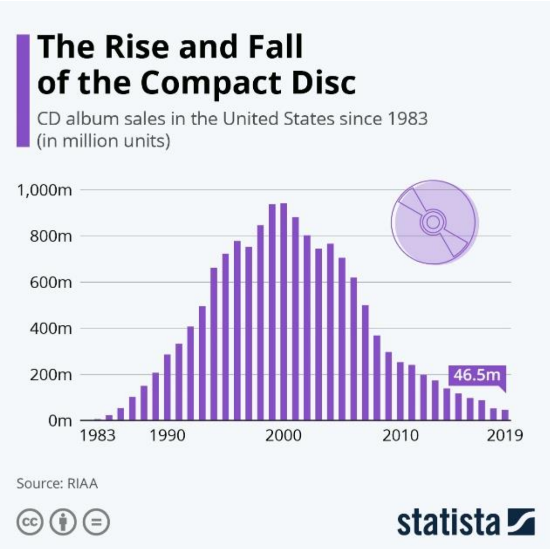
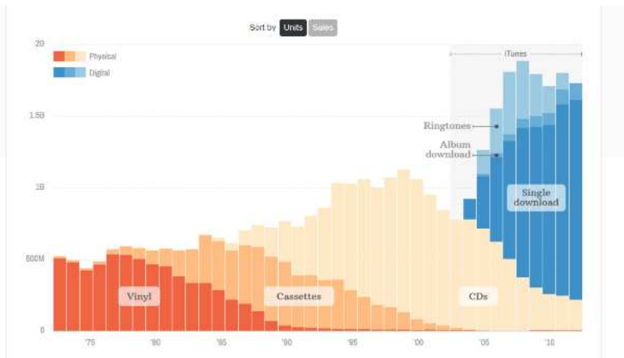


Figure 2 & 3: How iTunes crushed music sales - CNNMoney



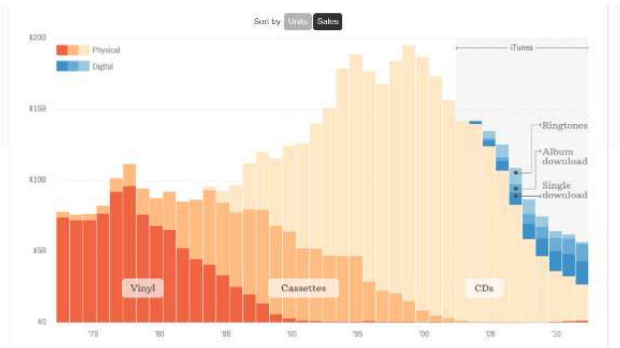


Figure 4: What Is the Pay Rate for Spotify Streams? (songtrust.com)

STREAMING PLATFORM	PAYOUT RATE
amazon music	$0.0074 per play
MUSIC	$0.00783 per stream
YouTube	$0.00074 per stream
Spotify	$0.0038 per play
pandora	$0.00134 per stream
TIDAL	$0.01284 per stream
Google Play Music	$0.00676 per stream
DEEZER	$0.0064 per stream
napster	$0.019 per stream

Figure 5: Drake's Departure from Universal Music Group Would Disrupt the Music Industry | by Raman Mama | Medium

Album	Label	Year	Tracks	Total Streams (as of 8/26)	Spotify Streaming Revenue
So Far Gone	Young Money / Cash Money	2009	18	519,000,000	$ 1.5 M
Thank Me Later	Young Money Entertainment /	2010	14	640,000,000	$ 1.9 M
Take Care	Cash Money Records Inc.	2012	19	2,636,000,000	$ 7.9 M
Nothing Was The Same	Cash Money Records Inc.	2013	15	2,449,000,000	$ 7.3 M
If You're Reading This It's Too Late	Cash Money Records Inc.	2015	17	2,291,000,000	$ 6.8 M
What A Time To Be Alive	Cash Money Records Inc.	2015	11	1,527,000,000	$ 4.5 M
Views	Young Money / Cash Money	2016	20	6,351,000,000	$ 19.0 M
More Life	Young Money / Cash Money	2017	22	4,312,000,000	$ 12.9 M
Scorpion	Young Money / Cash Money	2018	25	6,656,000,000	$ 19.9 M
Care Package	October's Very Own	2019	17	260,000,000	$780 K
Dark Lane Demo Tapes	October's Very Own / Republic /	2020	14	1,007,000,000	$ 3 M

Transcript of interviews:

Camdyn – Lewis Gray

Do you feel you have a wider listenership sharing your music digitally rather than trying to sell physical copies?

'Definitely. This is because sharing my music digitally as opposed to selling physical copies allows me to utilise social media such as Instagram to reach people from all over the world and introduce them to my music. This is much better and easier than selling physical copies, as this would require me to either sell cd's on the street, which tends to not have a very high success rate, or it would require me to try and get shops such as hmv or high street cd shops to stock some of my cd's, and as a small independent artist they would not stock many. And this is just what I'd have to do in my local area, whereas with selling digitally and with the help from social media, it's easier to reach people around the whole world through hashtags and advertising than it is trying to sell digital copies'.

As a up and coming artists with a niche audience do you feel the pay-outs streaming services such as Spotify offer per stream are fair?

The pay outs is quite hard to answer. Myself with all together around 18,000 all-time streams, has so far only made $1.48. I do this as a hobby so I'm not bothered about the money I make, however, if I was a professional musician, this is obviously not a sum you could live on, and for quite a high stream count as well. But I am not sure how many streams it requires for an artist to begin to live off their streams. But I do think that for 18,000 streams the pay-out sure be more, it's less than 1 dollar for 10,000 streams.

How important is it to get your song on a playlist before releasing?

If you want to be discovered and for your streaming numbers to go up being on a playlist is pretty much vital. As this allows you to reach thousands and upwards of listeners who like your style of music. You do find these listeners on Instagram but at a much slower rate and for example just because this potential listener likes rap, they may not like your style of rap.

Also being on a playlist on Spotify is marketing that is not cross platform, it takes place all on Spotify where your music is.

Has streaming given the power for artists to not need a label to 'make it', such as Stormzy and Skepta are not and never have been on a label. Is it your aim to build up enough notice and join a label, or do you feel you can achieve what you want independently?

Absolutely. Artist can now be successful without the use of a label. Me personally however, if I were to start getting that much notice, I would prefer working in a label due to the security and having a whole team around you who's focus is your music career essentially. This being said, artist like Stormzy have enough money to build their own team, but personally I'd like to be under a label.

Drew Richards – Die So Fluid:

How has the change from physical purchases to digital and now streaming music services changed the way your band operates, performs and sells its art?

Well, this has been a positive change in how we operate because of where the band is in its career - i.e., Near the end. We own outright all our material, and it can now be permanently available for streaming revenue with zero manufacturing cost.

What is your opinion on streaming services and specifically Spotify? Have they helped or hindered artists like Die So Fluid and other independent artists.

Because of where we are in the lifetime of the band Spotify and other streaming services have been a boon. We no longer tour so our only engagement is to release a new song every six months. That generates streams for the whole catalogue and keeps the band alive and we get a trickle of royalties throughout the year.

What are your thoughts on the way Spotify pays for streaming of artists music? Can this provide a sustainable income for small independent artists? What do you think is a level of steams that would be sustainable?

I don't think one streaming platform on its own could sustain an independent artist at the current royalty rate. You have to have multiple platforms, physical sales, merch, and most importantly live fees. The ultimate sale for any musician now is sync of a track in a movie or advert. Even so these don't pay as well as they used to as the deal is often pitched as a promotional opportunity for the artist.

Have you noticed any increase in audience listenership by the use of streaming services and is this reflected in larger live audience numbers for Die So Fluid and other independent artists?

Yes, people have discovered us through streaming services and become 'customers' that have paid for our other 'products'. It's not exploded for us though because we've never managed to get on the biggest playlists. That's what could really make a difference to an artist.

Any other thoughts on how streaming services have changed the music industry in general.

In general, it's been a really positive shift in the industry for us. We can be completely independent, and almost dormant at the moment, and yet still earn from streaming and have our music available for discovery worldwide. I started making records in 1985 so to be able to create music at home, with other musicians recording their own parts in Los Angeles and Bologna, and then to release that music worldwide on the same platforms as major labels with a quick upload from my own home is like a miracle. I am glad that there is now increased competition of streaming services which will increase the royalty rate but ultimately, I know we have to produce more music with greater frequency to make money from streaming. Because we own all our work, I feel incentivised to doing that.

Figure 6 - It Sounds Like Spotify Is In Trouble (forbes.com)

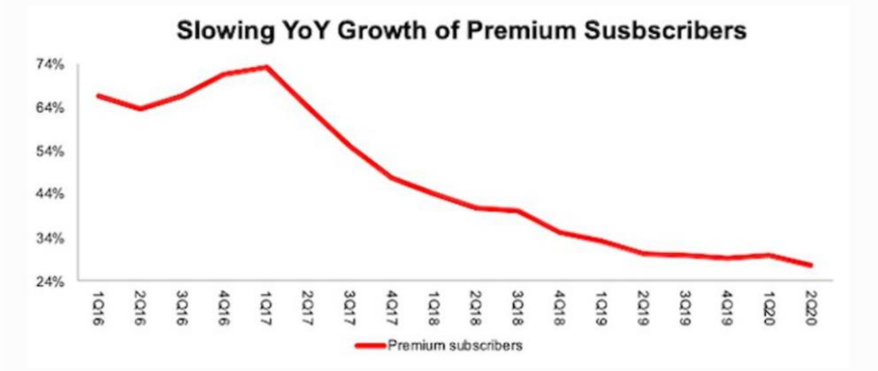


Figure 7: IFPI Global Music Report 2019: Global Music Market Grows for Fourth Consecutive Year - Music Business Association (musicbiz.org)

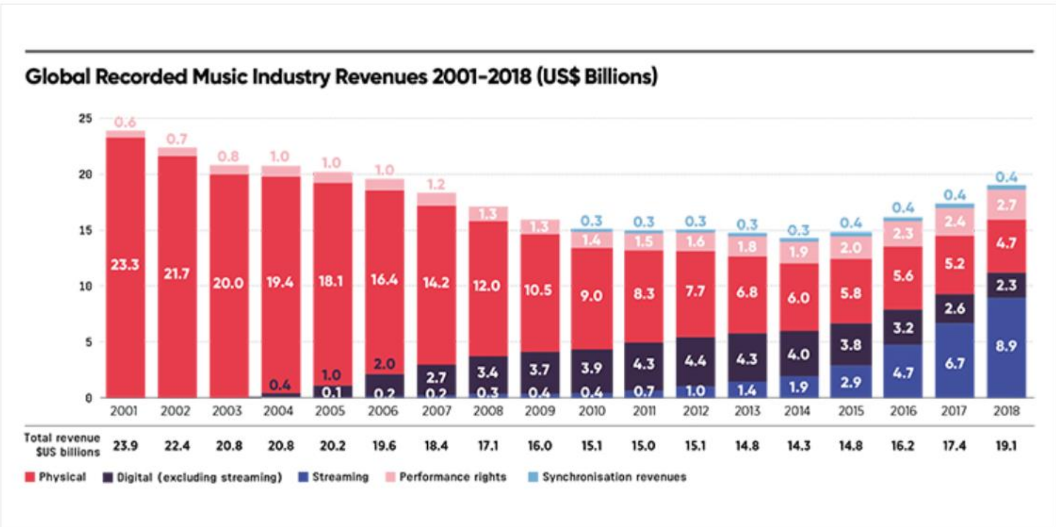
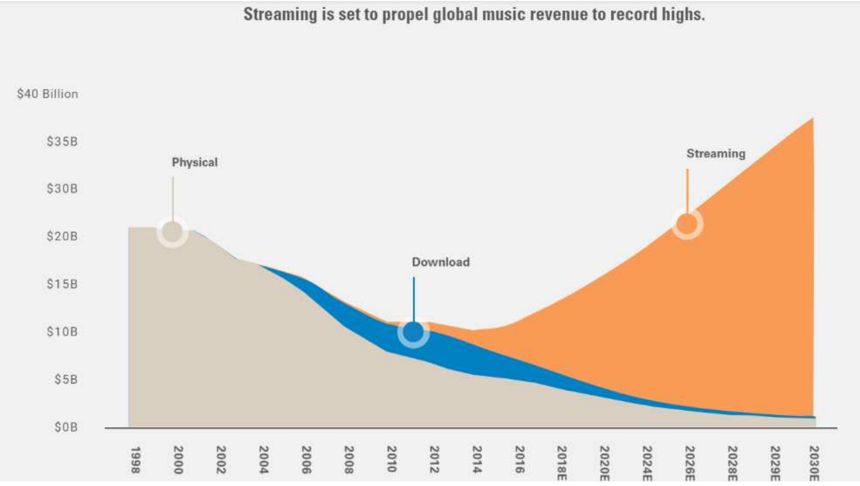


Figure 8: Goldman Sachs – Music in the Air



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