Do People Care About Musical Artist Compensation?

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15.960 - Independent Study
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Introduction and Background

The past 20 years have seen a great deal of change in the music industry. The industry has witnessed the transition from majority physical to majority digital sales, and then from digital sales to consumption through subscription-based streaming services. The shift in how we consume music has led to a shift in how we pay for music, which in turn has affected all stakeholders within the industry. One group of stakeholders particularly affected is the artists. The decreased per-unit economics inherent in the streaming business model has increased the disparity between top performing artists and artists with smaller fanbases. In other words, it has become more difficult to earn a living as a professional musician. It is therefore increasingly important for compensation due to artists to be delivered correctly and in due time.

The goal of the Open Music Initiative is to create transparency in the music industry's payments structure. There is currently a complicated ecosystem consisting of record labels, publishers, distributors, performing rights organizations, artists, and consumers. When a musical transaction is made (whether through physical purchase, a digital online stream, or a live performance of a song), the payment for that transaction has to navigate through this ecosystem to reach the final rightsholders. The musical artist, in the end, will only see a small percentage of that payment, if the payment ever makes it to him or her. Furthermore, the amount an artist will receive depends on the medium in which the transaction took place. A stream on Spotify has a different payment contract than a stream on Google Play Music, or a purchase on iTunes, or a physical purchase at Best Buy.

At the Media Lab, we have been iterating on a free, open-source tool that would allow a direct payment to rightsholders regardless of listening medium. A future vision would include a world where music is shared seamlessly, iterated on, remixed, and built-upon with easy and immediate flow of payments to the proper rightsholders regardless of where and how the music is consumed.

The first iteration of this long-term project includes a tool to aggregate a consumer's listening content across different platforms and give a listener the ability to "tip" an artist directly if they wish to do so, in addition to the content payment they currently paid. For a concrete example, imagine a consumer who only listens to Song A, Song B, and Song C equally in a given month. If Song A, Song B, and Song C artists are opted into our tool, the consumer would have the ability to tip each of them according to his listening amount for each song (i.e. ⅓ of $1 each if she wishes to tip $1). The consumer would be able to adjust the weights and tip more or less to any given artist as she wishes, but the tool would provide the ability and the benchmark given her listening habits.

As we began to envision this project, it is important to ask the fundamental questions regarding the music listening population's relationship to music. Would anyone use such a tool? Does anyone care enough about music to tip an artist? If so, who cares? What medium should the tool take to target this user (i.e. software, hardware, app, web app)? What are the features it would need to have? Would artists want to be a part of this ecosystem? These early questions, and more, drove the interest in doing market research on listening habits to determine the viability of this project and guide the development of a tool that could potentially see real success within the music listening community.

My independent study comprised of market research to determine how might we create an easy, accurate, and pain-free way for music listeners to tip artists in accordance with the listener's music consumption habits.

Market Research Methodology and Overview

I formulated the following problem statement to underpin my market research:

> *How might we create an easy, accurate, and pain-free way for music listeners to tip artists in accordance with the listener's music consumption habits?*

My key learning objectives in support of answering this problem statement were:

- What profile of music consumer cares about artist compensation and what are their music consumption and artist engagement habits?
- What are these consumers and artists' financial experiences in relation to music and other goods and services?
- What are these consumers and artists' relationship to technology?

My key research method was in-person interviews and an online survey.

In-Person Interviews

The goal of in person interviews was to go in depth on a person's relationship to music, answering the key learning objectives above. These interviews were typically approximately 45 minutes long, spanning a wide range of topics in accordance with the key learning objectives (see the appendix for a full outline of in-person interview documents).

The original intention was to speak to both music consumers and music artists. However, due to timing constraints and the difficulty in reaching professional working musicians, I was only able to do in-person interviews with music consumers.

Online Survey

Given my music consumer network was limited to my personal extended network, I was concerned my data would be coming from certain demographics. I therefore decided to supplement my in person interviews with an online data survey. I posted this survey on the online social site Reddit and was able to get a broad set of responses from people with different demographic, social, and educational backgrounds.

Given the limits of online surveys, the questions were focused primarily on the first learning objective: what profile of music consumer cares about artist compensation and what are their music consumption and artist engagement habits?

The key goal of the online survey was to find what type of person might care most about artist compensation.

Outcomes

In-Person Interview Data

I completed 12 in-person interviews with music consumers. These were each 45 minutes to 1 hour in length covering topics over the 3 learning objectives (a full list of questions is in the appendix):

- What type of music consumer is the interviewee and what are their music consumption and artist engagement habits?
- What are these consumers' financial experiences in relation to music and other goods and services?
- What are these consumers' relationship to technology?

The 12 people interviewed were:

- George, Male, 28 years old graduate student, ex-consultant
- Tyler, Male, 27 years old graduate student, ex-engineer
- Betsy, Female, 26 years old graduate student, ex-technology saleswoman
- Sarah, Female, 26 years old graduate student, ex-healthcare project manager
- Stacey, Female, 27 years old graduate student, ex-consultant
- Max, Male, 30 years old graduate student, ex-engineer
- Kendra, Female, 28 years old graduate student, ex-startup founder
- Emil, Male, 32 years old graduate student, ex non-profit marketing director
- Nick, Male, 29 years old engineering PhD student
- Darius, Male, 27 years old engineering PhD student
- Andres, 28 years old consultant
- Jens, 30 year old private equity associate

The interviewees only represent a certain age group, yet represent diverse professional, educational, and demographic backgrounds.

I have compiled and summarized the qualitative results of these interviews in accordance with the 3 interview goals below:

What type of music consumer is the interviewee and what are their music consumption and artist engagement habits?

Based on this section of the interview, I bucketed the interviewees into heavy music fans, medium music fans, and light music fans.

- **Heavy**: Listens to 20+ hours of music a week, actively seeks out new music, goes to concerts, or self-identifies as a music lover. Also may have purchased higher end listening equipment (speakers or headphones)
- **Medium**: Listens to multiple hours of music a week, generates new music from secondary sources (friends, etc) whenever they come across it
- **Light**: Does not listen to music much, mostly listens to core group of liked songs, does not self identify as a music lover

The bucketed interviewees are as follows:

Heavy	Medium	Light
George	Betsy	Emil
Andres	Sarah	Kendra
Stacey	Tyler	Jens
Max	Nick	
	Darius	

The hypothesis I had prior to performing these interviews was that heavy music fans would engage with artists beyond listening to their music and attending concerts. Unfortunately none of the people interviewed fell within this type of music consumer.

Each of people interviewed, including the “light” music fans, admitted to liking music. Every one of my interviewees used a streaming service such as Spotify or Apple Music. The heavy and medium fans enjoyed the curation features integrated within those streaming services. The medium fans mostly found new music from friends, or used a radio style curation service to listen to new music. Many music fans denoted liking music to which they felt a strong emotional connection, or which was associated with a vivid memory.

However, none of the subjects, when asked about how they interact with artists, denoted watching interviews, following artists on social media, or interacting with content beyond music. When asked the question “do you ever worry your favorite artists are not being fairly compensated?”, every interviewee responded saying they had never thought about it. In other words, each of these subjects’ relationship with music is purely transactional. They listen to the music strictly for the music.

The idea I heard from multiple interviewees was that they paid for their music legally, and it was therefore not their issue to think about how that payment made its way through the music ecosystem and back to the artist.

What are the consumer’s financial habits in relation to music and other goods and services?

In this section, I asked questions about how consumers spend money. I found that everyone I spoke to used a credit card for most of their purchases. None of the interviewees used bitcoin. All of the interviewees except for 1 (Sarah), spent between $100 and $200 on music a year, including their streaming music subscription and a few concerts. Sarah was the only interviewee who did not pay for a streaming service, instead using the free version of Spotify.

Not all interviewees had actually purchased music in the last year, but those who did had done it because the song was not available for streaming on an on-demand service. Examples of albums purchased were Taylor Swift’s “1989” or Adele’s “25”, which were kept off of streaming platforms. A few interviewees also admitted purchasing music specifically to support an artist when they knew the artist through a personal connection. Overall, no one I spoke to simply purchased music because they wanted to support an independent artist without a personal connection. There was, however, a trend of supporting other types of art (books, film) through crowd-sourcing sites like Kickstarter or IndieGoGo without any direct contact with the creator.

When interacting with other individuals, Venmo was the most common form of payment.

What are the consumer's technology habits?

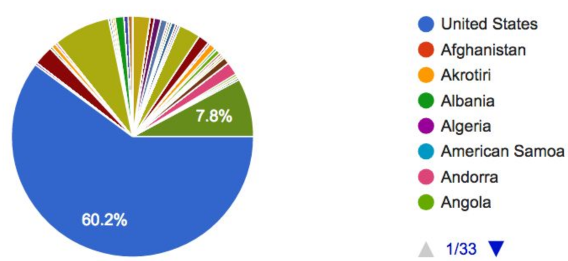
I used this section to determine how technology savvy the interviewee is. Given the age-group and demographic of the individuals I interviewed, all of the interviewees were tech-savvy and used technology often. They did not have any problem downloading new applications and learning how to use them as long as the user interface was intuitive. The most common applications used were Spotify, GMail, Google Maps, Uber, WhatsApp, and Facebook. Only 2 of the interviewees owned an Alexa or a Google Home.

Survey Data

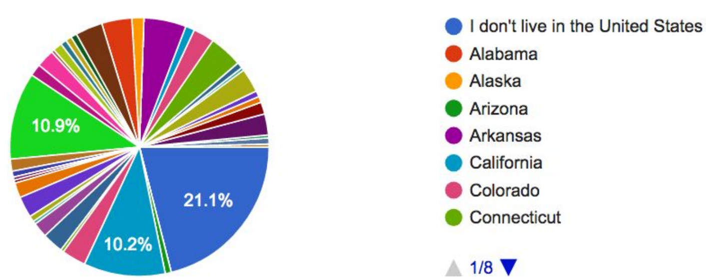
Demographics

I received 347 responses to the online survey, in a breakdown of demographics as follows:

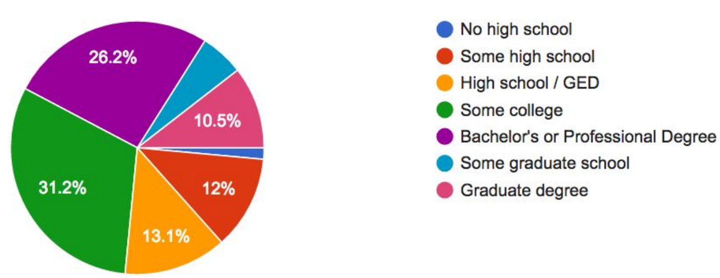
60% of respondents were from the United States, followed by 7.8% from the United Kingdom and 7.6% from Canada. Overall 37 countries were represented in the dataset.



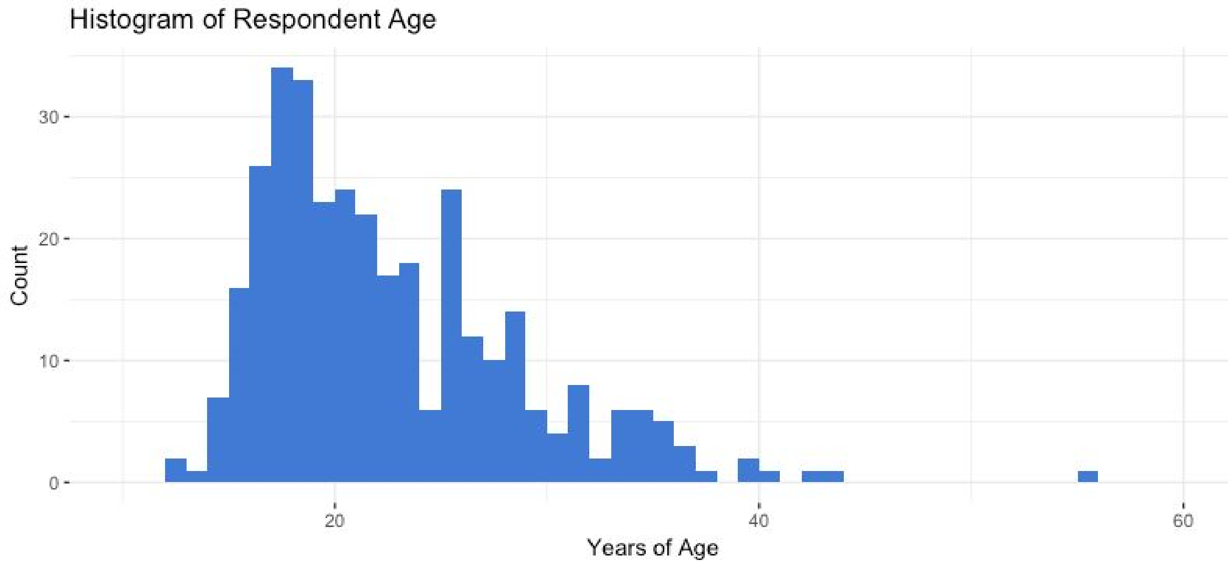
Vithin the United States, I received responses from 38 states and the District of Columbia. The largest represented states were Massachusetts (reflecting a bias towards the MIT community), and California



In terms of educational background, I received responses from people across the board. The highest represented demographic were people with some college education (31.2%) and a Bachelor's or Professional Degree

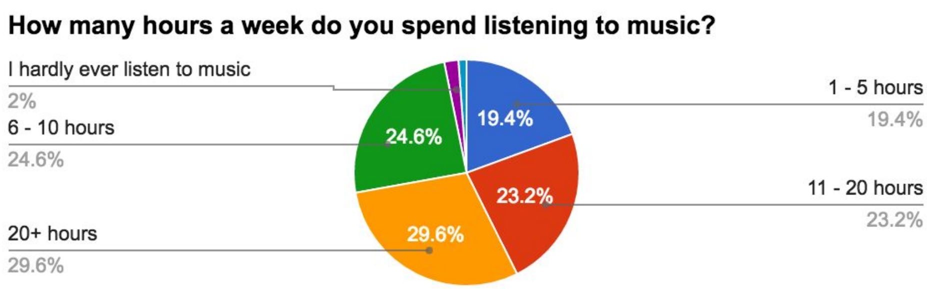


The educational data is somewhat reflected in the distribution of the ages of the respondents. The youngest respondent was 13 years old, while the oldest was 57. The median age was 22 years old, while the average age was 23. The standard deviation in age in the dataset was 6 years.

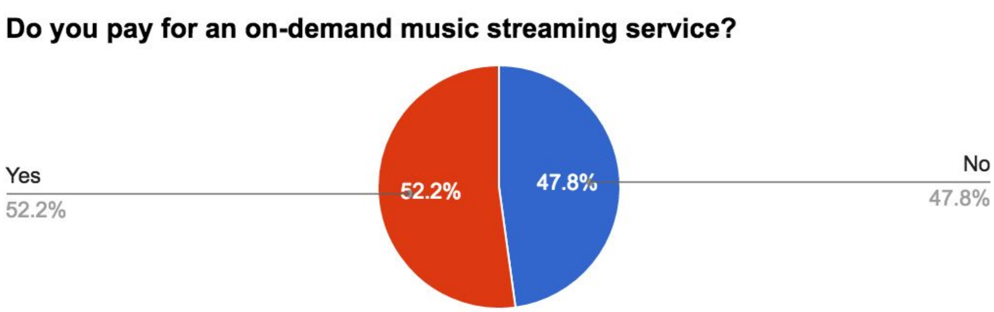


Musical Habits

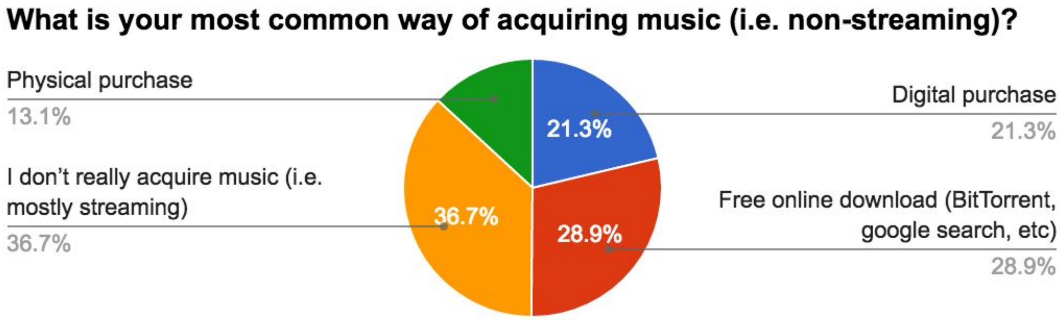
The online survey asked a set of questions meant to infer a respondent's musical habits (see the Appendix for a full set of questions). I received a broad set of musical listening habits:



The results were nearly evenly split on whether respondents pay for a streaming service:



There was also a strong mix of ways of acquiring music:



Analysis

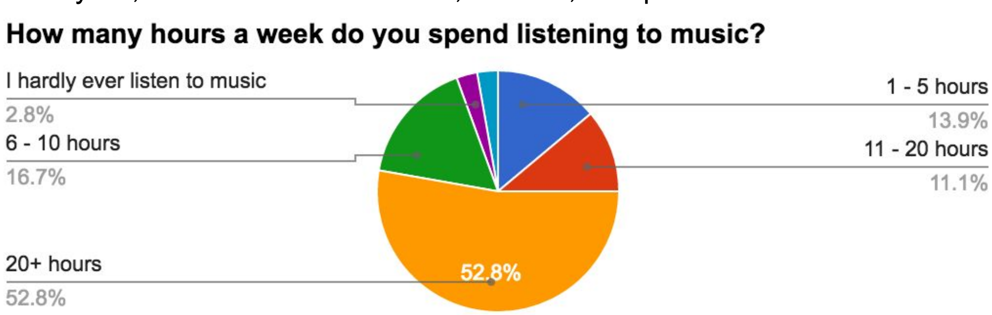
Only 1 out of the 12 interviewees (8%) revealed thinking about artist compensation and being willing to "tip" an artist if it were an easy task to accomplish. This trend is consistent with the responses received in the online survey.

In the survey, when asked about factors involved in picking a medium through which to consume music (i.e. streaming service, purchase, etc), only 11% of respondents chose "The medium gives the highest payment back to the artist" as a factor in their purchase. This is the second lowest rated factors among those listed, just above social features.

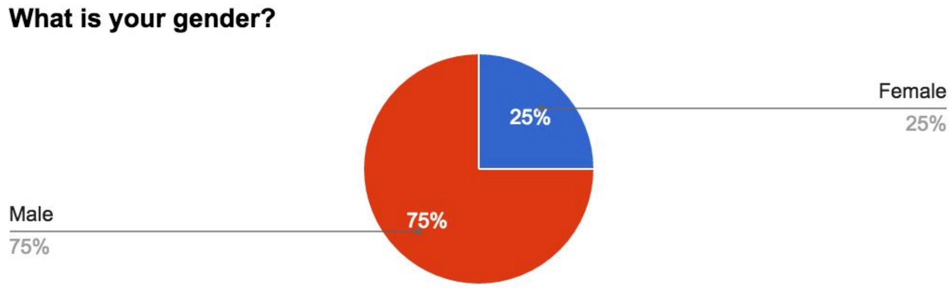
Conclusion: The majority of people do not consider artist payments when they listen to music

Who are these 11% of people who do consider arist payments? They are:

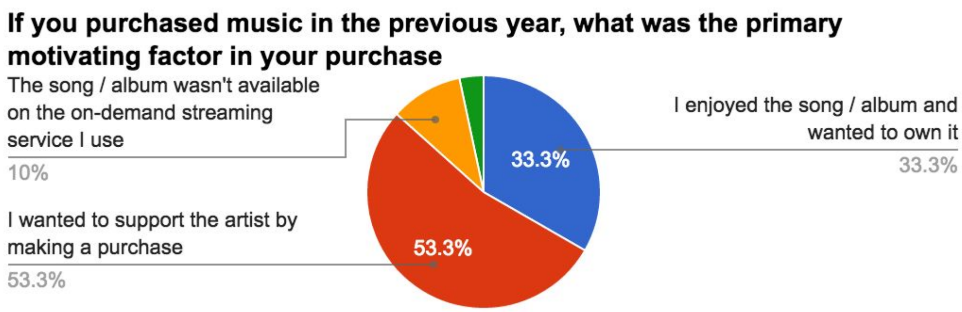
- **Heavy music listeners and fans**. Over 50% of these respondents listened to music over 20 hours a week, compared to 29% in the broader response pool. Furthermore, 75% of this group of respondents indicated purchasing items beyond a song or album in the last year, such as a concert ticket, a t-shirt, or a poster.



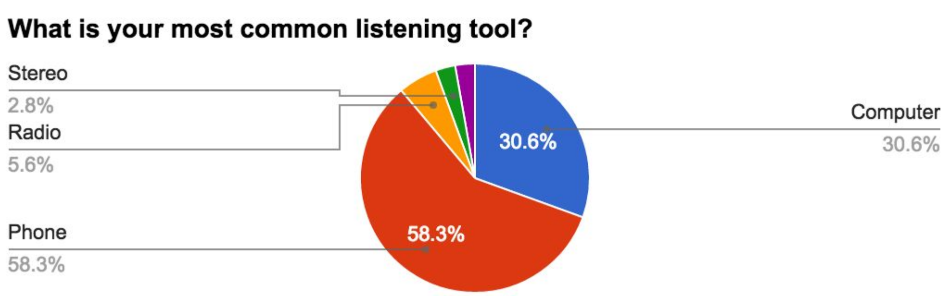
- **Mostly male**. 75% of these respondents were male, compared to 64% for the broader sample set.



- **People who *really* care about supporting artists.** Over 50% of this group also respondent that supporting the artist was the *primary motivating factor* in making a music purchase.



- **People who listen on their phones.** 58% of these respondents indicated that their phone is their primary listening tool. 36% of respondents indicated they listen most when traveling or commuting, and another 36% of respondents indicated they listen most when working or studying.

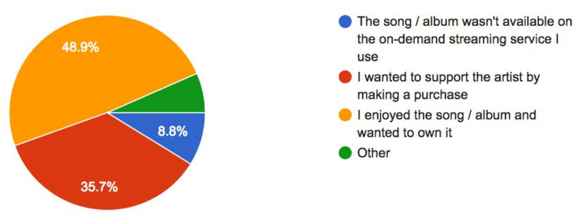
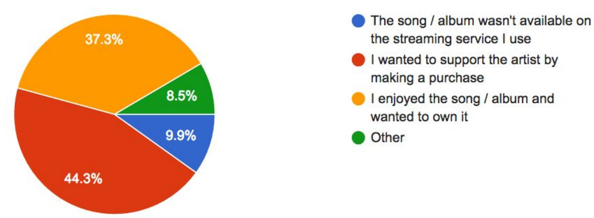


- **Mostly young people.** The average age of these respondents was 22 years old, with the largest group of these respondents being 18 years old. Given the dataset average age is 23 years old, one could potentially conclude that this respondent group skews towards a younger demographic

There is no cohesive location where this group lives.

Conclusion: There is a small group of superfans who do care about artist payments and go out of their way to make sure artists get compensated via a purchase

Another interesting trend is that while only 11% of respondents claimed to consider artist payments when choosing their listening medium, a larger percentage of people claimed to consider artist support when making a purchase. In the entire dataset, 36% of respondents who answered the question noted financial support of the artist as the primary factor in making the purchase. 44% of respondents who answered the question noted support of the artist as the secondary factor.

If you purchased music in the previous year, what was the primary motivating factor in your purchase?	**If you purchased music in the previous year, what was the secondary motivating factor in your purchase?**
	

Conclusion: While most people do not consider artist payments in their every day listening, many purchases, when they do happen, are driven by the want to support an artist.

Recommendations for OMI

Integrate solution within existing processes

The key takeaway from this research is that the vast majority of people do not think about artist payments and would not go out of their way to tip an artist. We also see that when consumers do purchase digital copies of music, they are many times driven by the want to support an artist. They may already have access to the song or album on a streaming service, but they wish to make a purchase to give more money to the artist.

In order to create a system that gains wide adoption and creates meaningful impact in the music ecosystem, it is therefore necessary to create a system that:

1. Is embedded into the current music listening habits of consumers
2. Allows consumers' goodwill towards an artist to be funneled directly to that artist (a digital purchase provides greater economics than a stream, but still only a small portion of the purchase price will reach the artist).

I would propose the following practical recommendations as OMI works to develop a music tipping tool:

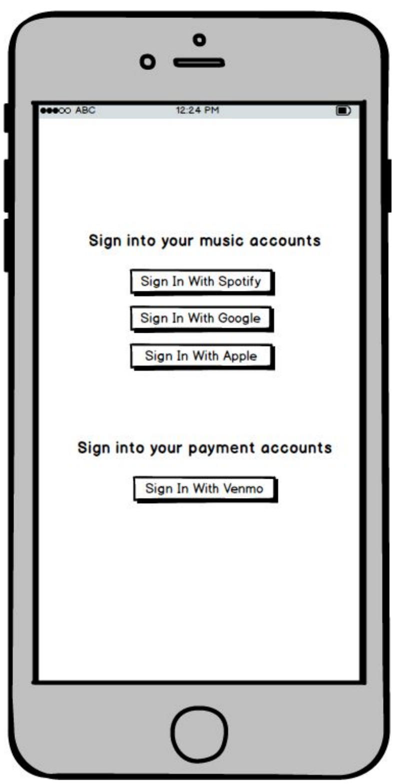
Short Term Product Recommendations:

In the short term, OMI should build a solution for the music lover who goes out of his way to purchase music to support artists (the 11% of survey respondents identified above). This user is more likely to download a compensation tool.

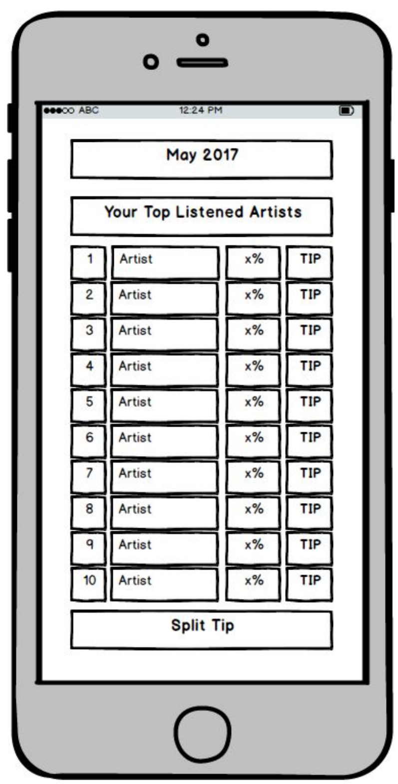
The majority of this group of people still stream music, and then purchase additional music in order to support the artists. This group may be willing to sign up for a program that allows them to tip artists directly knowing that this tip will go directly to the artist. In order to target these users, the solution should have the following features:

1. **Web App (Ideally Mobile App):** The majority of this group's listening is done through their phones. An app that they download would be the format that matches their preferred device.
2. **Streaming service integration:** Connect directly to current streaming service APIs (namely Spotify, Apple Music, Google Play Music, and YouTube) to track music listening habits directly from the source
3. **Venmo integration:** Venmo is by far the most used direct payment method used by respondents. Integrating Venmo into the solution would make it easy
4. **Monthly listening summaries:** Send monthly emails or popups summarizing songs listened to across platforms. Continuous summary shown within the app.
5. **One-Click Payment**: The user should have the ability to send a tip straight through their Venmo account within our app.

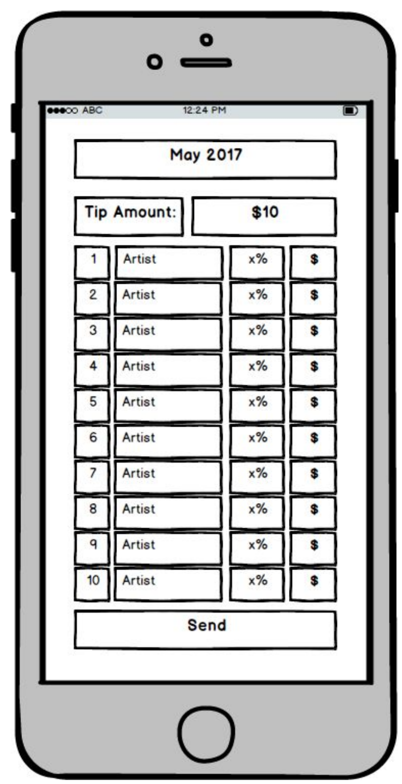
Here are some high level mockups of what a service would look like:



A user connects all of his platforms to our app



The service aggregates the user's listening trends and provides the option to tip artists directly, either individually or as a whole

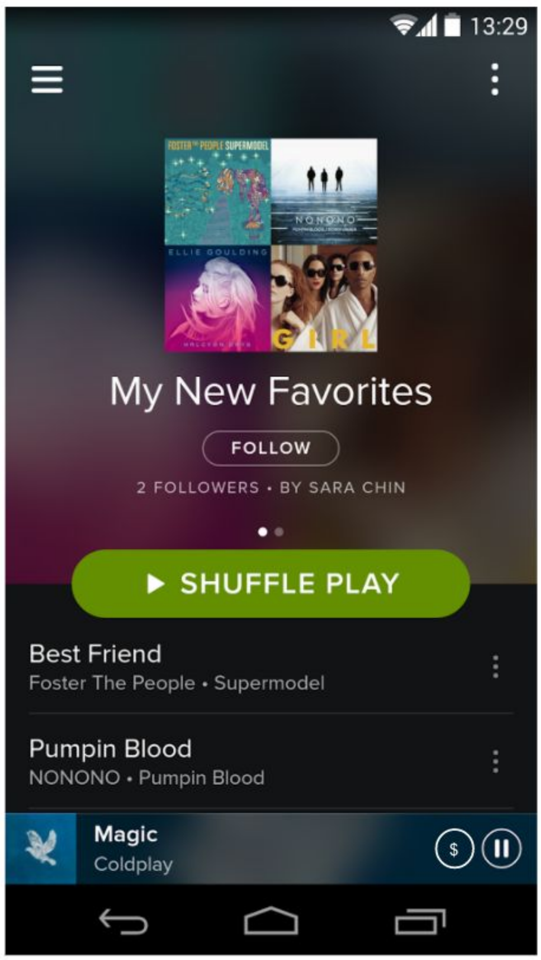


The user chooses how much they want to tip and the amount is sent to the artists

Long Term Recommendations:

Given users are unlikely to break their current habits in order to pay additional money to artists, a long term solution would need to be fully integrated with existing user platforms. 2 high level recommendations in order to accomplish this are:

1. **Create a standard:** As the streaming space becomes more competitive, the various players are trying to differentiate themselves. OMI could offer an "Artist Friendly" badge to companies that integrate the OMI blockchain-based API currently being developed, as well as other features such as a tipping feature (see #2). Being seen as "Artist Friendly" will help a streaming service's marketing efforts and onboarding a better service for end customer.
2. **Build partnerships**: The ideal product would allow consumers to tip artists directly from the app they currently use. For example, a system integrated with Spotify could look as follows:



"Tip" button is embedded next to the play/pause button in the bottom right

3. **Cover all digital products:** There are people who do not use streaming services. There are people who download music off of the internet and listen to it on iTunes or a competing music player. A comprehensive service would be integrated with all forms of music players so that a user who downloads a song using BitTorrent has the ability to tip

this artist straight through his music player. This integration would set the product up for the next generation, where all payments can be made regardless of listening medium.

Next Steps

1. **Artist interviews**: I was unable to interview artists for this project. It is important to consider their perspectives and habits. I recommend interviewing artists from a broad range of genres, career paths, and position within the music industry to understand how the demand side of a tipping system could be best constructed for them.
2. **Find how non-ecosystem consumers listen to music**: There are groups of listeners who are passionate about bypassing the current payments ecosystem. These consumers primarily use BitTorrent or online downloads to acquire music. This group of people may be a prime target for a potential payments solution that provides direct artist compensation. It is therefore important to learn more about this group and what mediums they use to listen to music.
3. **Finish proof-of-concept:** The Media Lab is currently working on a desktop proof of concept. I recommend we finish and publish this project to gather feedback from early adopters. This will allow us to refine our view of what a full workable solution could look like
4. **Begin building app-based solution:** As recommended above, the ideal solution would take the form of a web app or mobile app. Once the proof-of-concept is complete, we should transition to an app based platform to service our core user.

Conclusion

Do people care about musical artist compensation? The majority do not. However, we live in a world where we are accustomed to tipping our service providers. We tip our waiters, our drivers, and our delivery men and women. More and more, music is being seen as a service, as exemplified by the fact that the most popular music mediums are now on-demand. As we continue down the “music-as-a-service” model of listening to music, OMI and the Media Lab can help shape a future where a musician’s work is more directly, and tools for properly compensating artists are introduced into the ecosystem.

Ideally, this trend could lead to full transparency in payments to artists regardless of listening medium.

Appendix

Exhibit A: Interview Document prepared for interviews:

OMI | Discussion Guide
Spring 2017

Problem Statement:

- How might we create an easy, accurate, and pain-free way for music listeners to compensate artists in accordance with the listener's music consumption habits?

Key learning objectives:

- *What profile of music consumer cares about artist compensation and what are their music consumption and artist engagement habits?*
- *What are these consumers and artists' financial experiences in relation to music and other goods and services?*
- *What are these consumers and artists' relationship to technology?*

01: Introduction

Goal: To set up the interview, introduce who we are, explain the project goals and the nature of the interview.

Thanks for making time in your day to meet with us.
- Introduction
- Why I am here/what I'd like to learn
- What you are going to get out of this

02: Warm Up

Goal: Make respondent comfortable, understand their background and needs.

- **To start, can you tell us about your current job? (if a musician ask about how long they have been a musician)**
    - How long have you been doing this?
    - What does a typical day look like?
    - Full time or hobbyist?
- **What drew you to this work?**
- **What excites you about this? What is your favorite part?**
- **What are some of your routines?**

03: What does music mean to you?

Goal/Key Learning Objective: What type of music consumer is the interviewee and what are their music consumption and artist engagement habits?

- **How often do you listen to music?**
    - When do you listen to music?
    - In what environments?
    - Would you consider yourself a music lover? Why / Why not?
- **What are your favorite artists?**

    - Top 5 currently?
    - Of all time?
    - If I were to look at a recently played playlist, what would I see?
    - If I were to look at a most played playlist what would I see?
- **How do you get your music?**
    - Streaming, digital buying, bitTorrent, CDs, vinyl?
- **How do you listen to music?**
    - Active / Passive listening?
    - Headphones / Speakers? Alexa / Google Home?
    - Playlists vs. picking songs?
    - Albums vs. playlists?
- **What are all the listening mediums to you own?**
    - Headphones? Speakers? Car Stereo?
    - Which do you use most?
- **How do you discover new music?**
    - Do you care about finding new music?
- **How do you engage with artists?**
    - Go to concerts?
    - Social media?
    - YouTube?
    - What makes you engage with an artist, if at all?
- **Do you worry about certain artists not being fairly compensated?**
    - Which ones? Why?
    - Do you do anything to alleviate that worry?

04: What are your financial behaviors?

Goal/Key Learning Objective: What are the consumer's financial habits in relation to music and other goods and services?

- **When is the last time you spent money on music?**
    - What was it?
- **Do you ever buy albums or tracks?**
    - Why?
    - If so, where do you buy them from (iTunes, Bandcamp, Google, Amazon)
- **How much money do you spend on music a month or year?**
    - How do you spend that money? (i.e. Streaming, buying albums, concerts, etc)
    - Why do you spend that money?
- **When do you spend money on music?**
    - Mostly at shows? When big albums get released?
- **Do you have a set budget you're willing to spend on music every month/year?**
    - How do you track this budget?
- **Do you think you are more willing to pay for music/merchandise from artists you believe are less financially stable (i.e. independent artists)?**
- **How do you typically purchase goods?**
    - Credit cards? Cash? Paypal?
    - In store? Online? Through Apps?
- **How do you engage financially with your friends?**
    - i.e. do you use Venmo, Google Wallet, Paypal?
- **Do you ever take part in crowdfunding?**
    - Kickstarter, IndieGogo, etc?

05: What is your relationship to technology?

Goal/Key Learning Objective: What are the consumer's technology habits?

- **Would you consider yourself a tech savvy person?**
    - Why? Why Not?
- **What are some of the apps you use the most?**
    - Why do you use them / like them?
- **What are some of the tech related products you have in your home?**
    - Alexa / Google Home?

06: Conclusion

Goal: Sum up important points and priorities, final questions; show appreciation for their time.

- **Are there any thoughts or ideas you have on how you would compensate your favorite independent artists?**
- **Thank you for your time!**

Exhibit B: Online Survey Questions

Music Consumption Survey

This survey is anonymous and purely for academic purposes

What country do you live in?

Choose

If you live in the United States, what state do you live in?

Choose

What is your gender?

- Male
- Female
- Other

What is your educational background?

Choose

What is your age?

Your answer

How many hours a week do you spend listening to music?

How many hours a week do you spend listening to music?

- I hardly ever listen to music
- Less than an hour
- 1 - 5 hours
- 6 - 10 hours
- 11 - 20 hours
- 20+ hours

What is your most common method of listening to music?

- Music I stream on-demand (Spotify, Apple Music, Soundcloud, YouTube,, etc)
- Music I have (iTunes, Hard Copy, BitTorrent, etc)
- Radio (FM, Sirius/XM, Pandora, etc)
- Other:

What is your most common listening medium?

- Headphones
- Speakers (excluding car speakers)
- Car speakers
- Other:

What is your most common listening tool?

- Phone
- Computer
- Radio

○ Other:

When do you most listen to music?

○ When I’m traveling / during a commute

○ While I’m working or studying

○ While doing housework / other chores

○ While I’m socializing with friends

○ While I'm exercising

○ Other:

Do you pay for an on-demand music streaming service?

○ Yes

○ No

What is your most common way of acquiring music (i.e. non-streaming)?

○ Digital purchase

○ Physical purchase

○ Free online download (BitTorrent, google search, etc)

○ I don’t really acquire music (i.e. mostly streaming)

Check all that you have purchased in the last year

☐ A song

☐ An album

- [ ] A streaming subscription
- [ ] A piece of music-related clothing or artifact (t-shirt, sweatshirt, poster, etc)
- [ ] A concert ticket

If you purchased music in the previous year, what was the primary motivating factor in your purchase

- ○ The song / album wasn't available on the on-demand streaming service I use
- ○ I wanted to support the artist by making a purchase
- ○ I enjoyed the song / album and wanted to own it
- ○ Other:

If you purchased music in the previous year, what was the secondary motivating factor in your purchase

- ○ The song / album wasn't available on the streaming service I use
- ○ I wanted to support the artist by making a purchase
- ○ I enjoyed the song / album and wanted to own it
- ○ Other:

Check any box that is a factor in picking the medium you use to consume music

- [ ] Ease of cross-device listening
- [ ] Songs are already curated for me (i.e. radio style)

- [ ] Access to a large catalog of music
- [ ] Strong recommendation system / Ease of finding new music
- [ ] I know the medium gives the highest payment back to the artist
- [ ] Sound quality of the songs
- [ ] Price
- [ ] Social features embedded in the medium
- [ ] Other:

SUBMIT